

LEGISLATIVE BRANCH APPROPRIATIONS FOR FISCAL YEAR 2005

THURSDAY, MARCH 4, 2004

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:58 a.m., in room SD-116, Dirksen Senate Office Building, Hon. Ben Nighthorse Campbell (chairman) presiding.

Present: Senators Campbell, Stevens, and Durbin.

GENERAL ACCOUNTING OFFICE

STATEMENT OF DAVID M. WALKER, COMPTROLLER GENERAL

ACCOMPANIED BY:

**GENE L. DODARO, CHIEF OPERATING OFFICER
SALLYANNE HARPER, CHIEF ADMINISTRATIVE OFFICER
STANLEY J. CZERWINSKI, CONTROLLER**

OPENING STATEMENT OF SENATOR BEN NIGHTHORSE CAMPBELL

Senator CAMPBELL. The subcommittee will come to order. Senator Durbin is running a little late and will be here in just a few minutes.

Today's hearing is the first of four hearings we plan to have to review the fiscal year 2005 legislative branch budget request which totals roughly \$4 billion.

Overall, legislative branch agencies have requested a 12 percent increase over the current fiscal year level. Clearly this total level of spending will be very difficult, if not impossible, to accommodate in view of the overall budget constraints we face. We will be asking all agencies to have another look at their budgets to ensure that there have been no items requested which are not truly needed next year, and we will also be exploring the impact of cutting budgets back to current levels, if that is necessary, which it appears to be at this point.

This morning we will take testimony from three agencies: the General Accounting Office, the Government Printing Office, and the Congressional Budget Office.

We will hear first from Mr. David Walker, Comptroller General. Mr. Walker will be accompanied by Deputy Chief Gene Dodaro. Welcome, Gene. And Mr. Stan Czerwinski, GAO's budget officer. GAO's budget request of \$486 million is a steady-state budget, with the exception of the request for a permanent new technology assessment capability.

The GAO will be followed by the Government Printing Office: Mr. Bruce James, the Public Printer; accompanied by Mr. William Turri, the Deputy Printer; and Steve Shedd, the Chief Financial Officer. The GPO has many initiatives underway at this time to restructure their agency, including the possible relocation of their facility from its present North Capitol Street location. The budget request of \$151 million includes \$25 million for transformation efforts, but we do not have a delineation of what those transformation efforts involve. It might be very difficult to provide the funds without a detailed spending plan.

And finally, we will hear from Mr. Douglas Holtz-Eakin, the Director of the Congressional Budget Office, accompanied by Dr. Elizabeth Robinson, CBO's new Deputy Director. CBO's budget request of \$35 million is a 5.5 percent increase over the current fiscal year and would support the current staffing level of 235 FTE.

So we welcome everyone this morning. Mr. Walker, if you would like to proceed. If you would like to abbreviate your comments, we will put your complete testimony in the record.

OPENING REMARKS OF DAVID WALKER

Mr. WALKER. Thank you, Mr. Chairman. It is a pleasure to be here again. On my far right is Stan Czerwinski, who is our Controller. To my immediate right is Sallyanne Harper, who is our Chief Administrative Officer and Chief Financial Officer, and on my immediate left is Gene Dodaro, who is our Chief Operating Officer.

Mr. Chairman, we believe that our fiscal year 2005 budget request is both reasonable and responsible. We have asked for a 4.9 percent increase, primarily to cover automatic pay increases and related costs, as well as price level increases. This requested level will allow us to maintain our base authorized FTEs, maintain operational support at fiscal year 2004 levels, and continue to meet the needs of the Congress at present service levels.

Our requested budget reflects an offset of almost \$5 million from nonrecurring fiscal year 2004 estimates, and it represents a baseline review approach.

In times of tight budgets and fiscal pressures, I believe it is especially important for GAO to lead by example in connection with our budget request. We have done so as noted by the fact that we are requesting the smallest percentage increase of any legislative branch agency. In addition, we have helped this subcommittee in your initial efforts to assure that other legislative branch agencies ultimately employ a baseline review approach in their budget submissions.

In the years ahead, our support to the Congress will likely prove even more critical because of pressures created on our Nation caused by large and growing fiscal imbalances. I believe that GAO's help will prove to be invaluable as the Congress seeks to review, reprioritize, and re-engineer existing mandatory and discretionary spending programs and tax policies.

Maintaining a strong and adequately resourced GAO will also help ensure that we can continue to provide an excellent return on investment to the Congress and the country. Last year we returned

\$78 for every dollar invested in GAO, number one in the world. Nobody is even close.

Mr. Chairman and members of the subcommittee, I respectfully request that you consider the modest nature of our request and the unparalleled return on investment the Congress and the country receives from your investment in GAO's work. I would also respectfully request you consider the fact that many independent sources have noted that we at GAO are leading in the transformation of how the Government does business, and in order to continue to do that, we will need your help and reasonable resource levels.

PREPARED STATEMENT

Thank you, Mr. Chairman, Senator Durbin. I would be happy to answer any questions you might have.

[The statement follows:]

PREPARED STATEMENT OF DAVID M. WALKER

Mr. Chairman and Members of the Subcommittee: I am pleased to appear before the subcommittee today, having recently completed my fifth year as the Comptroller General of the United States and head of the U.S. General Accounting Office. GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. In the years ahead, our support to the Congress will likely prove even more critical because of the pressures created by our nation's large and growing long-term fiscal imbalance, which is driven primarily by known demographic and rising health care trends. These pressures will require the Congress to make tough choices regarding what the government does, how it does business, and who will do the government's business in the future. GAO's work covers virtually every area in which the federal government is or may become involved, anywhere in the world. Perhaps just as importantly, our work sometimes leads us to sound the alarm over problems looming just beyond the horizon—such as our nation's enormous long-term fiscal challenges—and help policymakers address these challenges in a timely and informed manner.

My testimony today will focus on GAO's progress during my first five years as Comptroller General. I will highlight our (1) fiscal year 2003 performance and results; (2) efforts to maximize our effectiveness, responsiveness, and value; and (3) budget request for fiscal year 2005 to support the Congress and serve the American people. Following is a summary:

- The funding we received in fiscal year 2003 allowed us to conduct work that addressed many of the difficult issues confronting the nation, including diverse and diffuse security threats, selected government transformation challenges, and the nation's long-term fiscal imbalance. Perhaps the foremost challenge facing government decision makers this year was ensuring the security of the American people. By providing professional, objective, and nonpartisan information and analyses, we helped inform the Congress and the executive branch agencies on key security issues, such as the nature and scope of threats confronting the nation's nuclear weapons facilities, its information systems, and all areas of its transportation infrastructure, as well as the challenges involved in creating the Department of Homeland Security. Our work was also driven by changing demographic trends, which led us to focus on such areas as the quality of care in the nation's nursing homes and the risks to the government's single-employer pension insurance program. Our work in these and other areas covered programs that involve billions of dollars and touch millions of lives. Importantly, in fiscal year 2003, GAO generated a \$78 return for each \$1 appropriated to our agency.
- With the Congress's support, we have demonstrated that becoming world class does not require a substantial increase in the number of staff authorized, but rather maximizing the efficient and effective use of the resources available to us. We have worked with you to obtain targeted funding for areas critical to GAO such as information technology, security, and human capital management. We are grateful to the Congress for supporting our efforts through pending legislation that, if passed, would give us additional human capital flexibilities.

During tight budget times, these flexibilities would allow us, among other things, more options to deal with mandatory pay and related costs.

—In keeping with my belief that the federal government needs to exercise a greater degree of fiscal discipline, we have kept our request to \$486 million, an increase of only 4.9 percent over fiscal year 2004. I also applaud the Congress's request that all legislative branch agencies examine how they could work toward a more transparent budget presentation. In keeping with the Congress's intent, we are continuing our efforts to revamp our budget presentation to make the linkages between funding and program areas more clear. I hope that in the future the Congress will be able to use such performance information to make tough choices on funding, thereby enabling it to avoid across-the-board reductions that penalize agencies that exercise fiscal discipline and generate high returns on investment and real results.

FISCAL YEAR 2003 PERFORMANCE AND RESULTS

GAO is a key source of professional and objective information and analysis and, as such, plays a crucial role in supporting congressional decision making. For example, in fiscal year 2003, as in other years, the challenges that most urgently engaged the attention of the Congress helped define our priorities. Our work on issues such as the nation's ongoing battle against terrorism, Social Security and Medicare reform, the implementation of major education legislation, human capital transformations at selected federal agencies, and the security of key government information systems all helped congressional members and their staffs to develop new federal policies and programs and oversee ongoing ones. Moreover, the Congress and the executive agencies took a wide range of actions in fiscal year 2003 to improve government operations, reduce costs, or better target budget authority based on GAO's analyses and recommendations. In fiscal year 2003, GAO served the Congress and the American people by helping to identify steps to reduce improper payments and credit card fraud in government programs; restructure government and improve its processes and systems to maximize homeland security; prepare the financial markets to continue operations if terrorism recurs; update and strengthen government auditing standards; improve the administration of Medicare as it undergoes reform; encourage and help guide federal agency transformations; contribute to congressional oversight of the federal income tax system; identify human capital reforms needed at the Department of Defense, the Department of Homeland Security, and other federal agencies; raise the visibility of long-term financial commitments and imbalances in the federal budget; reduce security risks to information systems supporting the nation's critical infrastructures; oversee programs to protect the health and safety of today's workers; ensure the accountability of federal agencies through audits and performance evaluations; and serve as a model for other federal agencies by modernizing our approaches to managing and compensating our people.

To ensure that we are well positioned to meet the Congress's future needs, we update our 6-year strategic plan every 2 years, consulting extensively during the update with our clients in the Congress and with other experts (see app. I for our strategic plan framework).

The following table summarizes selected performance measures and targets for fiscal years 1999 through 2005. Highlights of our fiscal year 2003 accomplishments and their impact on the American public are shown in the following sections.

TABLE 1.—SELECTED ANNUAL MEASURES AND TARGETS FOR FISCAL YEARS 1999–2005

(Dollars in billions)

| Performance measure | Fiscal year— | | | | | | | |
|---|----------------|----------------|----------------|---------------------|----------------|----------------|--------------------|----------------|
| | 1999 Actual | 2000 Actual | 2001 Actual | 2002 Actual | 2003 Target | 2003 Actual | 2004 Target | 2005 Target |
| Financial benefits | \$20.1 | \$23.2 | \$26.4 | ¹ \$37.7 | \$32.5 | \$35.4 | \$35.0 | \$36.0 |
| Other benefits | 607 | 788 | 799 | 906 | 800 | 1,043 | ² 900 | 900 |
| Past recommendations implemented (percent) | 70 | 78 | 79 | 79 | 77 | 82 | ² 79 | 79 |
| New recommendations made | 940 | 1,224 | 1,563 | 1,950 | 1,250 | 2,175 | ² 1,500 | 1,500 |

TABLE 1.—SELECTED ANNUAL MEASURES AND TARGETS FOR FISCAL YEARS 1999–2005—
Continued
[Dollars in billions]

| Performance measure | Fiscal year— | | | | | | | |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|
| | 1999 Actual | 2000 Actual | 2001 Actual | 2002 Actual | 2003 Target | 2003 Actual | 2004 Target | 2005 Target |
| Testimonies | 229 | 263 | 151 | 216 | 180 | 189 | ² 190 | 180 |
| Timeliness (percent) | 96 | 96 | 95 | 96 | 98 | 97 | 98 | 98 |

¹ Changes GAO made to its methodology for tabulating financial benefits in part caused our results to increase beginning with the fiscal year 2002 results.

² On the basis of past performance and expected future work, we revised these targets after we issued our fiscal year 2004 performance plan. The original targets were 820 for other benefits, 77 percent for past recommendations implemented, 1,250 for new recommendations made, and 200 for testimonies.

Source: GAO.

Benefits Reported

Many of the benefits produced by our work can be quantified as dollar savings for the federal government (financial benefits), while others cannot (other benefits). Both types of benefits resulted from our efforts to provide information to the Congress that helped (1) improve services to the public, (2) provide information that resulted in statutory or regulatory changes, and (3) improve core business processes and advance governmentwide management reforms.

In fiscal year 2003, our work generated \$35.4 billion in financial benefits—a \$78 return on every dollar appropriated to GAO. The funds made available in response to our work may be used to reduce government expenditures or reallocated by the Congress to other priority areas. Nine accomplishments accounted for nearly \$27.4 billion, or 77 percent, of our total financial benefits for fiscal year 2003. Six of these accomplishments totaled \$25.1 billion. Table 2 lists selected major financial benefits in fiscal year 2003 and describes the work contributing to financial benefits over \$500 million.

TABLE 2.—GAO'S SELECTED MAJOR FINANCIAL BENEFITS FOR FISCAL YEAR 2003
[In millions of dollars]

| Description | Amount |
|--|--------|
| Financial benefits exceeding \$1 billion: | |
| Updated the Consumer Price Index (CPI): Recommended that the Bureau of Labor Statistics periodically update the expenditure weights of its market basket of goods and services used to calculate the CPI to make it more timely and representative of consumer expenditures. The Bureau agreed to do this every 2 years, and the CPI for January 2002 reflected the new weights. The adjustments have resulted in, among other things, lower federal expenditures on programs like Social Security that use the CPI to calculate benefits | 9,200 |
| Eliminated Medicaid's upper payment limit loophole: Identified a weakness in Medicaid's upper payment limit methodology that allowed states to make excessive payments to local, government-owned nursing facilities and then have the facilities return the payments to the states, creating the illusion that they made large Medicaid payments in order to generate federal matching payments. Closing the loophole prevented the federal government from making significant federal matching payments to states above those intended by Medicaid | 5,900 |
| Made funds available for lighter-weight weapons systems: Identified the Crusader artillery system as a duplicative weapons system that was inconsistent with the Department of the Army's plans to transform itself into a lightweight combat force. The Department of Defense (DOD) terminated the Crusader program, resulting in costs avoided | 3,900 |
| Reduced the cost of federal housing programs: Improved management of the Department of Housing and Urban Development's unexpended balances resulting in the recapture of unobligated funds | 3,400 |
| Reduced the cost of DOD's services acquisition process: Examined the acquisition practices of leading commercial companies and recommended a more strategic approach for acquiring services at DOD, which was implemented | 1,700 |
| Avoided costs associated with an increase in the skilled nursing facilities rate: Determined that the Congress's increase in the nursing component of Medicare's daily rate for skilled nursing facilities had little effect on increasing the ratios of nursing staff to patients in these facilities. The nursing component increase expired on October 1, 2002, and despite arguments from the nursing facility industry, the nursing component increase has not been reinstated | 1,000 |

TABLE 2.—GAO'S SELECTED MAJOR FINANCIAL BENEFITS FOR FISCAL YEAR 2003—Continued

[In millions of dollars]

| Description | Amount |
|---|--------|
| Selected financial benefits between \$500 million and \$1 billion: | |
| Recovered Supplemental Security Income (SSI) overpayments: Identified weaknesses in the Social Security Administration's (SSA) efforts to recover SSI overpayments that led to the development of SSA's automated reconciliation process | 990 |
| Reduced DOD's implementation risks and purchase costs for the Navy-Marine Corps intranet: Highlighted the need for various management controls related to the acquisition and implementation of the Navy-Marine Corps intranet. As a result, DOD modified the Navy-Marine Corps intranet contract and reduced contract amounts in fiscal year 2002 and fiscal year 2003, reduced program risks, and increased the likelihood that the program will be acquired and implemented successfully | 780 |
| Ensured Defense Emergency Response funds are better targeted: Identified millions of dollars in unobligated DOD Emergency Response funding, a portion of which the Congress rescinded or directed DOD to reallocate for other fund purposes | 517 |

Source: GAO.

Many of the benefits that flow to the American people from our work cannot be measured in dollar terms. During fiscal year 2003, we recorded a total of 1,043 other benefits—up from 607 in fiscal year 1999. As shown in appendix II, we documented instances where information we provided to the Congress resulted in statutory or regulatory changes, where federal agencies improved services to the public and where agencies improved core business processes or governmentwide reforms were advanced.

These actions spanned the full spectrum of national issues, from securing information technology systems to improving the performance of state child welfare agencies. We helped improve services to the public by

- Strengthening the U.S. visa process as an antiterrorism tool.*—Our analysis of the U.S. visa-issuing process showed that the Department of State's visa operations were more focused on preventing illegal immigrants from obtaining non-immigrant visas than on detecting potential terrorists. We recommended that State reassess its policies, consular staffing procedures, and training program. State has taken steps to adjust its policies and regulations concerning the screening of visa applicants and its staffing and training for consular officers.
- Enhancing quality of care in nursing homes.*—In a series of reports and testimonies since 1998, we found that, too often, residents of nursing homes were being harmed and that programs to oversee nursing home quality of care at the Centers for Medicare and Medicaid Services were not fully effective in identifying and reducing such problems. In 2003, we found a decline in the proportion of nursing homes that harmed residents but made additional recommendations to further improve care.
- Making key contributions to homeland security.*—Drawing on an extensive body of completed and ongoing work, we identified specific vulnerabilities and areas for improvement to protect aviation and surface transportation, chemical facilities, sea and land ports, financial markets, and radioactive sealed sources. In response to our recommendations, the Congress and cognizant agencies have undertaken specific steps to improve infrastructure security and improve the assessment of vulnerabilities.
- Improving compliance with seafood safety regulations.*—We reported that when Food and Drug Administration (FDA) inspectors identified serious violations at seafood processing firms, it took FDA 73 days on average, well above its 15-day target. Based on our recommendations, FDA now issues warning letters in about 20 days.

We helped to change laws in the following ways:

- We highlighted the National Smallpox Vaccination program volunteers' concerns about losing income if they sustained injuries from an inoculation. As a result, the Smallpox Emergency Personnel Protection Act of 2003 (Public Law No. 108–20) provides benefits and other compensation to covered individuals injured in this way.
- We performed analyses that culminated in the enactment of the Postal Civil Service Retirement System Funding Reform Act of 2003 (Public Law No. 108–18), which reduced USPS's pension costs by an average of \$3 billion per year over the next 5 years. The Congress directed that the first 3 years of savings be used to reduce USPS's debt and hold postage rates steady until fiscal 2006. We also helped to promote sound agency and governmentwide management by

- Encouraging and helping guide agency transformations.*—We highlighted federal entities whose missions and ways of doing business require modernized approaches, including the Postal Service and the Coast Guard. Among congressional actions taken to deal with modernization issues, the House Committee on Government Reform established a special panel on postal reform and oversight to work with the President's Commission on the Postal Service on recommendations for comprehensive postal reform. Our recommendations to the Coast Guard led to better reporting by the Coast Guard and laid the foundation for key revisions the agency intended to make to its strategic plan.
- Helping to advance major information technology modernizations.*—Our work has helped to strengthen the management of the complex multibillion-dollar information technology modernization program at the Internal Revenue Service (IRS) to improve operations, promote better service, and reduce costs. For example, IRS implemented several of our recommendations to improve software acquisition, enterprise architecture definition and implementation, and risk management and to better balance the pace and scope of the program with IRS's capacity to effectively manage it.
- Supporting controls over DOD's credit cards.*—In a series of reports and testimonies beginning in 2001, we highlighted pervasive weaknesses in DOD's overall credit card control environment, including the proliferation of credit cards and the lack of specific controls over its multibillion-dollar purchase and travel card programs. DOD has taken many actions to reduce its vulnerabilities in this area.

Benefits to State and Local Governments

While our primary focus is on improving government operations at the federal level, sometimes our work has an impact at the state and local levels. To the extent feasible, in conducting our audits and evaluations, we cooperate with state and local officials. At times, our work results will have local applications, and local officials will take advantage of our efforts. We are conducting a pilot to determine the feasibility of measuring the impact of our work on state and local governments. The following are examples we have collected during our pilot where our work is relevant for state and local government operations:

- Identity theft.*—Effective October 30, 1998, the Congress enacted the "Identity Theft and Assumption Deterrence Act of 1998" prohibiting the unlawful use of personal identifying information, such as names, Social Security numbers, and credit card numbers. GAO report GGD-98-100BR is mentioned prominently in the act's legislative history. Subsequently, a majority of states have enacted identity theft laws. Sponsors of some of these state enactments—Alaska, Florida, Illinois, Michigan, Pennsylvania, and Texas—mentioned the federal law and/or our report. For example, in 1999, Texas enacted SB 46, which is modeled after the federal law. Justice officials said that enactment of state identity theft laws has multijurisdictional benefits to all levels of law enforcement—federal, state, and local.
- Pipeline safety.*—Our report GAO-RCED-00-128, *Pipeline Safety: The Office of Pipeline Safety Is Changing How It Oversees the Pipeline Industry*, found that the Department of Transportation's Office of Pipeline Safety was reducing its reliance on states to help oversee the safety of interstate pipelines. The report stated that allowing states to participate in this oversight could improve pipeline safety. As a result, the Office of Pipeline Safety modified its Interstate Pipeline Oversight Program for 2001-2002 to allow greater opportunities for state participation.
- Temporary Assistance for Needy Families Grant Program.*—We reported on key national and state labor market statistics and changes in the levels of cash assistance and employment activities in five selected states. We also highlighted the fact that the five states had faced severe fiscal challenges and had used reserve funds to augment their spending above the amount of their annual Temporary Assistance for Needy Families block grant from the federal government.

GAO's High-Risk Program

Issued to coincide with the start of each new Congress, our high-risk update lists government programs and functions in need of special attention or transformation to ensure that the federal government functions in the most economical, efficient, and effective manner possible. This is especially important in light of the nation's large and growing long-term fiscal imbalance. Our latest report, released in January

2003, spotlights more than 20 troubled areas across government.¹ Many of these areas involve essential government services, such as Medicare, housing programs, and postal service operations that directly affect the lives and well-being of the American people.

Our high-risk program, which we began in 1990, includes five high-risk areas added in 2003: implementing and transforming the new Department of Homeland Security; modernizing federal disability programs; federal real property, Medicaid program; and Pension Benefit Guaranty Corporation's (PBGC) single-employer pension insurance program.²

In fiscal year 2003, we also removed the high-risk designation from two programs: the Social Security Administration's Supplemental Security Income program, and Asset Forfeiture programs administered by the U.S. Departments of Justice and the Treasury.

In fiscal 2003, we issued 208 reports and delivered 112 testimonies related to high-risk areas, and our related work resulted in financial benefits totaling almost \$21 billion. Our sustained focus on high-risk problems also has helped the Congress enact a series of governmentwide reforms to strengthen financial management, improve information technology, and create a more results-oriented and accountable federal government. The President's Management Agenda for reforming the federal government mirrors many of the management challenges and program risks that we have reported on in our performance and accountability series and high-risk updates, including a governmentwide initiative to focus on strategic management of human capital.

Following GAO's designation of federal real property as a high-risk issue, the Office of Management and Budget (OMB) has indicated its plans to add federal real property as a new program initiative under the President's Management Agenda. OMB recently issued an executive order on federal real property that addresses many of GAO's concerns, including the need to better emphasize the importance of government property to effective management. We have an ongoing dialog with OMB regarding the high-risk areas, and OMB is working with agency officials to address many of our high-risk areas. Some of these high-risk areas may require additional authorizing legislation as one element of addressing the problems.

Our fiscal year 2003 high-risk list is shown in table 3.

TABLE 3.—GAO'S 2003 HIGH-RISK LIST

| High-risk area | Year designated high-risk |
|---|---------------------------|
| Addressing challenges in broad-based transformations: | |
| Strategic human capital management ¹ | 2001 |
| U.S. Postal Service transformation efforts and long-term outlook ¹ | 2001 |
| Protecting information systems supporting the federal government and the nation's critical infra-structures | 1997 |
| Implementing and transforming the new Department of Homeland Security | 2003 |
| Modernizing federal disability programs ¹ | 2003 |
| Federal real property ¹ | 2003 |
| Ensuring major technology investments improve services: | |
| Federal Aviation Administration (FAA) air traffic control modernization | 1995 |
| IRS business systems modernization | 1995 |
| DOD systems modernization | 1995 |
| Providing basic financial accountability: | |
| DOD financial management | 1995 |
| Forest Service financial management | 1999 |
| FAA financial management | 1999 |
| IRS financial management | 1995 |
| Reducing inordinate program management risks: | |
| Medicare program ¹ | 1990 |
| Medicaid program ¹ | 2003 |
| Earned income credit noncompliance | 1995 |
| Collection of unpaid taxes | 1990 |
| DOD support infrastructure management | 1997 |
| DOD inventory management | 1990 |
| HUD single-family mortgage insurance and rental assistance programs | 1994 |

¹U.S. General Accounting Office, *High Risk Series: An Update*, GAO-03-119 (Washington, D.C.: January 2003).

²We added this issue in July 2003 after we published the January 2003 update.

TABLE 3.—GAO'S 2003 HIGH-RISK LIST—Continued

| High-risk area | Year designated high-risk |
|---|---------------------------|
| Student financial aid programs | 1990 |
| Pension Benefit Guaranty Corporation's (PBGC) single-employer pension insurance program | 2003 |
| Managing large procurement operations more efficiently: | |
| DOD weapon systems acquisition | 1990 |
| DOD contract management | 1992 |
| Department of Energy contract management | 1990 |
| NASA contract management | 1990 |

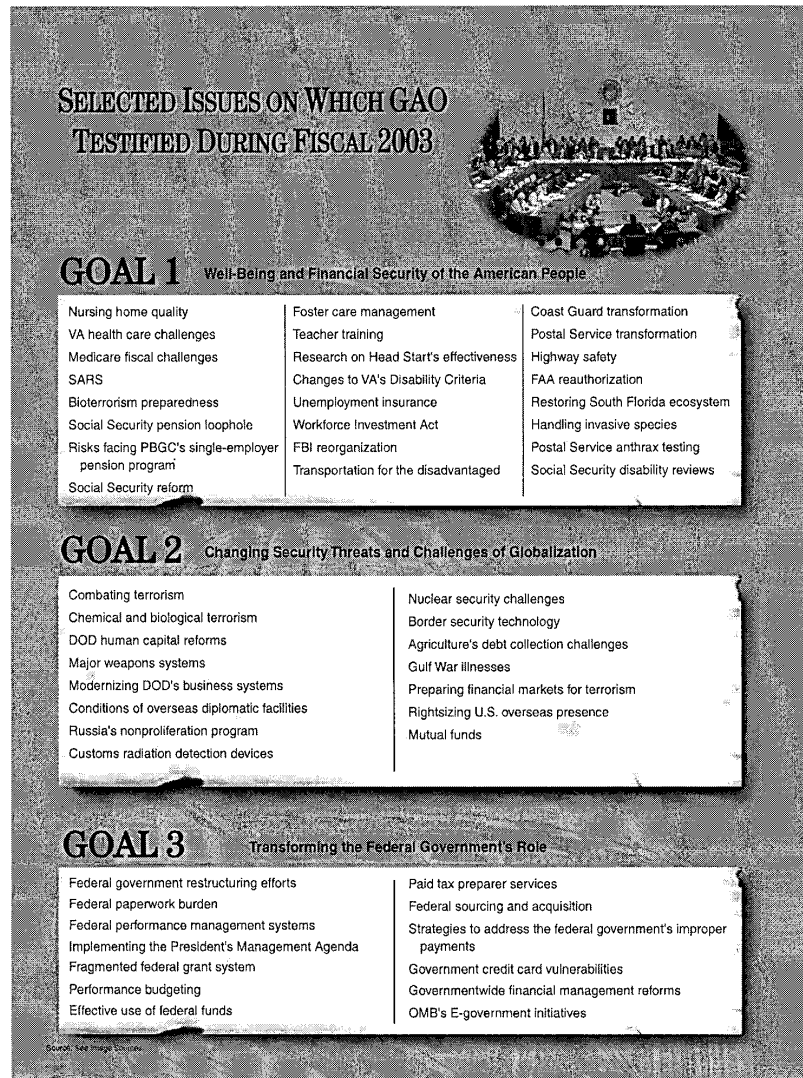
¹ Additional authorizing legislation is likely to be required as one element of addressing this high-risk area.

Source: GAO.

Testimonies

During fiscal year 2003 GAO executives testified at 189 congressional hearings—sometimes with very short notice—covering a wide range of complex issues. Testimony is one of our most important forms of communication with the Congress; the number of hearings at which we testify reflects, in part, the importance and value of our expertise and experience in various program areas and our assistance with congressional decision making. The following figure highlights, by GAO's three external strategic goals for serving the Congress, examples of issues on which we testified during fiscal year 2003.

Figure 1: Selected Issues on Which GAO Testified during Fiscal 2003



While the vast majority of our products—97 percent—were completed on time for our congressional clients and customers in fiscal year 2003, we slightly missed our target of providing 98 percent of them on the promised day. We track the percentage of our products that are delivered on the day we agreed to with our clients because it is critical that our work be done on time for it to be used by policymakers. Though our 97 percent timeliness rate was a percentage point improvement over our fiscal year 2002 result, it was still a percentage point below our goal. As a result, we are taking steps to improve our performance in the future by encouraging matrix management practices among the teams supporting various strategic goals and identifying early those teams that need additional resources to ensure the timely delivery of their products to our clients.

MAXIMIZING GAO'S EFFECTIVENESS, RESPONSIVENESS, AND VALUE

The results of our work were possible, in part, because of the changes we have made to maximize the value of GAO. With the Congress's support, we have demonstrated that becoming world class does not require substantial staffing increases, but rather maximizing the efficient and effective use of the resources available to us. Since I came to GAO, we have developed a strategic plan, realigned our organizational structure and resources, and increased our outreach and service to our congressional clients. We have developed and revised a set of congressional protocols, developed agency and international protocols, and better refined our strategic and annual planning and reporting processes. We have worked with you to make changes in areas where we were facing longer-term challenges when I came to GAO, such as in the critical human capital, information technology, and physical security areas. We are grateful to the Congress for supporting our efforts through pending legislation that, if passed, would give us additional human capital flexibilities that will allow us, among other things, to move to an even more performance-based compensation system and help to better position GAO for the future. As part of our ongoing effort to ensure the quality of our work, this year a team of international auditors will perform a peer review of GAO's performance audit work issued in calendar year 2004.

Making GAO's Work Accessible to the American People

We continued our policy of proactive outreach to our congressional clients, the press, and the public to enhance the visibility of our products. On a daily basis we compile and publish a list of our current reports. This feature has more than 18,000 subscribers, up 3,000 from last year. We also produced an update of our video on GAO, "Impact 2003." Our external Web site continues to grow in popularity, having increased the number of hits in fiscal year 2003 to an average of 3.4 million per month, 1 million more per month than in fiscal year 2002. In addition, visitors to the site are downloading an average of 1.1 million files per month. As a result, demand for printed copies of our reports has dramatically declined, allowing us to phase out our internal printing capability.

Promoting Sound Financial Management and Improving Strategic Management

For the 17th consecutive year, GAO's financial statements have received an unqualified opinion from our independent auditors. We prepared our financial statements for fiscal year 2003 and the audit was completed a month earlier than last year and a year ahead of the accelerated schedule mandated by OMB. For a second year in a row, the Association of Government Accountants awarded us a certificate of excellence; this year the award was for the fiscal year 2002 annual performance and accountability report.

Aligning GAO's Workforce and Mission Needs

Given our role as a key provider of information and analyses to the Congress, maintaining the right mix of technical knowledge and expertise as well as general analytical skills is vital to achieving our mission. Because we spend about 80 percent of our resources on our people, we need excellent human capital management to meet the expectations of the Congress and the nation. Accordingly, in the past few years, we have expanded our college recruiting and hiring program and focused our overall hiring efforts on selected skill needs identified during our workforce planning effort and to meet succession planning needs. For example, we identified and reached prospective graduates with the required skill sets and focused our intern program on attracting those students with the skill sets needed for our analyst positions. Our efforts in this area were recognized by Washingtonian magazine, which listed GAO as one of the "Great Places to Work" in its November 2003 issue. Continuing our efforts to promote the retention of staff with critical skills, we offered qualifying employees in their early years at GAO student loan repayments in exchange for their signed agreements to continue working at GAO for 3 years.

We also have begun to better link compensation, performance, and results. In fiscal year 2002 and 2003, we implemented a new performance appraisal system for our analyst, attorney, and specialist staff that links performance to established competencies and results. We evaluated this system in fiscal year 2003 and identified and implemented several improvements, including conducting mandatory training for staff and managers on how to better understand and apply the performance standards, and determining appropriate compensation. We will implement a new competency based appraisal system, pay banding and a pay for performance system for our administrative professional and support services staff this fiscal year.

To train our staff to meet the new competencies, we developed an outline for a new competency-based and role- and task-driven learning and development cur-

riculum that identified needed core and elective courses and other learning resources. We also completed several key steps to improve the structure of our learning organization, including hiring a Chief Learning Officer and establishing a GAO Learning Board to guide our learning policy, to set specific learning priorities, and to oversee the implementation of a new training and development curriculum.

We also drafted our first formal and comprehensive strategic plan for human capital to communicate both internally and externally our strategy for enhancing our standing as a model professional services organization, including how we plan to attract, retain, motivate, and reward a high-performing and top-quality workforce. We expect to publish the final plan this fiscal year. Our Employee Advisory Council is now a fully democratically elected body that advises GAO's senior executives on matters of interest to our staff. We also established a Human Capital Partnership Board to gather opinions of a cross section of our employees about upcoming initiatives and ongoing programs. The 15-member board will assist our Human Capital Office in hearing and understanding the perspectives of its customers—our staff.

In addition, we will continue efforts to be ready to implement the new human capital authorities included in legislation currently pending before the Senate. This legislation, if passed, would give us more flexibility to deal with mandatory pay and related costs during tight budgetary times.

Managing Our Information Technology Resources

Our resourceful management of information technology was recognized when we were named one of the "CIO (Chief Information Officer) 100" by CIO Magazine, recognizing excellence in managing our information technology (IT) resources through "creativity combined with a commitment to wring the most value from every IT dollar." We were one of three federal agencies named, selected from over 400 applicants, largely representing private sector firms. In particular, we were cited for excellence in asset management, staffing and sourcing, and building partnerships, and for implementing a "best practice"—staffing new projects through internal "help wanted" ads.

We have expanded and enhanced the IT Enterprise Architecture program we began in fiscal year 2002. We formally established an Enterprise Architecture oversight group and steering committee to prioritize our IT business needs, provide strategic direction, and ensure linkage between our IT Enterprise Architecture and our capital investment process. We implemented a number of user friendly Web-based systems to improve our ability to obtain feedback from our congressional clients, facilitate access to our information for the external customer, and enhance productivity for the internal customer. Among the new and enhanced Web-based systems were an application to track and access General Counsel work by goal, team, and attorney; a Web site on emerging trends and issues to provide information for our teams and offices as they consult with the Congress; and an automated tracking application for our staff to monitor the status of products to be published.

In addition, we developed and released a system to automate an existing data collection and analysis process, greatly expanding our annual capacity to review DOD weapons systems programs. As a result, we were able to increase staff productivity and efficiency and enhance the information and services provided to the Congress. In the past, we were able to complete a review annually of eight DOD weapons systems programs. In fiscal year 2003 we reviewed 30 programs and reported on 26. Within the next year, that number will grow to 80 per year.

Increasing Information Security

We recognize the ongoing, ever present threat to our shared IT systems and information assets and continue to promote awareness of this threat, maintain vigilance, and develop practices that protect information assets, systems, and services. As part of our continuing emergency preparedness plan, we upgraded the level of telecommunications services between our disaster recovery site and headquarters, expanded our remote connectivity capability, and improved our response time and transmission speed. To further protect our data and resources, we drafted an update to our information systems security policy, issued network user policy statements, hardened our internal network security, expanded our intrusion detection capability, and addressed concerns raised during the most recent network vulnerability assessment.

We plan to continue initiatives to ensure a secure environment, detect intruders in our systems, and recover in the event of a disaster. We are also continuing to make the investments necessary to enhance the safety and security of our staff, facilities, and other assets for the mutual benefit of GAO and the Congress. In addition, we plan to continue initiatives designed to further increase employees' productivity, facilitate knowledge sharing, and maximize the use of technology through

tools available at the desktop and by reengineering the systems that support our business processes.

Providing a Safe and Secure Workplace

On the basis of recommendations resulting from our physical security evaluation and threat assessment, we continue to implement initiatives to improve the security and safety of our building and personnel. In terms of the physical plant improvements, we upgraded the headquarters fire alarm system and installed a parallel emergency notification system. We completed a study of personal protective equipment, and based on the resulting decision paper, we have distributed escape hoods to GAO staff. We have also made a concerted effort to secure the perimeter and access to our building. Several security enhancements will be installed in fiscal year 2004, such as vehicle restraints at the garage ramps; ballistic-rated security guard booths; vehicle surveillance equipment at the garage entrances; and state-of-the-art electronic security comprising intrusion detection, access control, and closed-circuit surveillance systems.

Preparing for Peer Review

A team of international auditors, led by the Office of the Auditor General of Canada, will conduct a peer review for calendar year 2004 of our performance audit work. This entails reviewing our policies and internal controls to assess the compliance of GAO's work with government audit standards. The review team will provide GAO with management suggestions to improve our quality control systems and procedures. Peer reviews will be conducted every 3 years.

GAO'S FISCAL YEAR 2005 REQUEST TO SUPPORT THE CONGRESS

GAO is requesting budget authority of \$486 million for fiscal year 2005. The requested funding level will allow us to maintain our base authorized level of 3,269 full-time equivalent (FTE) staff to serve the Congress, maintain operational support at fiscal year 2004 levels, and continue efforts to enhance our business processes and systems. This fiscal year 2005 budget request represents a modest increase of 4.9 percent over our fiscal year 2004 projected operating level, primarily to fund mandatory pay and related costs and estimated inflationary increases. The requested increase reflects an offset of almost \$5 million from nonrecurring fiscal year 2004 initiatives, including closure of our internal print plant, and \$1 million in anticipated reimbursements from a planned audit of the Securities and Exchange Commission's (SEC) financial statements. Our requested fiscal year 2005 budget authority includes about \$480 million in direct appropriations and authority to use \$6 million in estimated revenue from reimbursable audit work and rental income.

To achieve our strategic goals and objectives for serving the Congress, we must ensure that we have the appropriate human capital, fiscal, and other resources to carry out our responsibilities. Our fiscal year 2005 request would enable us to sustain needed investments to maximize the productivity of our workforce and to continue addressing key management challenges: human capital, and information and physical security. We will continue to take steps to "lead by example" within the federal government in these and other critical management areas.

If the Congress wishes for GAO to conduct technology assessments, we are also requesting \$545,000 to obtain four additional FTEs and contract assistance and expertise to establish a baseline technology assessment capability. This funding level would allow us to conduct one assessment annually and avoid an adverse impact on other high priority congressional work.

A summary of the requested changes between our fiscal year 2004 and 2005 budget is reflected in table 4:

TABLE 4.—SUMMARY OF REQUESTED CHANGES FOR FISCAL YEAR 2005 BUDGET

| Budget category | FTEs | Amount | Cumulative percentage change |
|--|-------|-----------|------------------------------|
| Fiscal year 2004 resources: ¹ | | | |
| Appropriation ..... | ..... | \$457,606 | ..... |
| Estimated revenue (offsetting collections) ..... | ..... | \$5,971 | ..... |
| Total fiscal year 2004 resources | 3,269 | \$463,577 | ..... |
| Fiscal year 2005 requested changes: | | | |
| Mandatory pay and related costs ..... | ..... | \$21,821 | 4.7 |
| Costs to maintain current operating levels ..... | ..... | \$4,007 | 5.5 |

TABLE 4.—SUMMARY OF REQUESTED CHANGES FOR FISCAL YEAR 2005 BUDGET—Continued

| Budget category | FTEs | Amount | Cumulative percentage change |
|--|-------|-----------|------------------------------|
| Nonrecurring fiscal year 2004 costs ..... | ..... | (\$4,499) | ..... |
| New financial audit responsibility for SEC ..... | ..... | (\$1,000) | ..... |
| Continuing improvements/new initiatives ..... | ..... | \$2,203 | ..... |
| Subtotal increased funding required to support GAO operations ..... | ..... | \$22,532 | 4.9 |
| Fiscal year 2005 budget authority required to support GAO operations | 3,269 | \$486,109 | ..... |
| Less: Estimated revenue (offsetting collections) | 3,269 | (\$6,119) | ..... |
| Fiscal year 2005 appropriation ..... | ..... | \$479,990 | ..... |
| Establish a baseline technology assessment capability | 4 | \$545 | ..... |
| Total fiscal year 2005 appropriation | 3,273 | \$480,535 | ..... |

¹ Includes rescission of 0.59 percent (\$2,751).

Source: GAO.

CONCLUDING REMARKS

We are grateful to the Congress for providing support and resources that have helped us in our quest to be a world class professional services organization. The funding we received in fiscal year 2004 is allowing us to conduct work that addressed many difficult issues confronting the nation. By providing professional, objective, and nonpartisan information and analyses, we help inform the Congress and executive branch agencies on key issues, and covered programs that continue to involve billions of dollars and touch millions of lives.

I am proud of the outstanding contributions made by GAO employees as they work to serve the Congress and the American people. In keeping with my strong belief that the federal government needs to exercise fiscal discipline, our budget request for fiscal year 2005 is modest, but would maintain our ability to provide first class, effective, and efficient support to the Congress and the nation to meet 21st century challenges in these critical times.

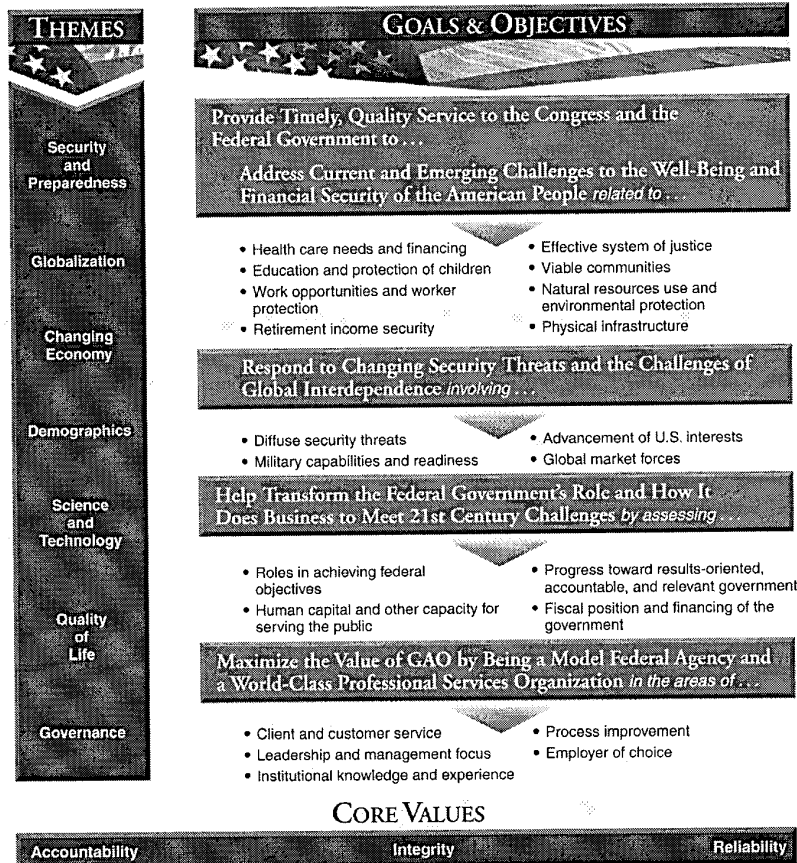
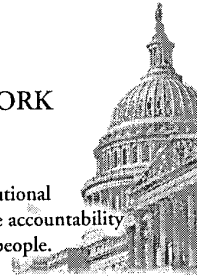
This concludes my statement. I would be pleased to answer any questions the Members of the Subcommittee may have.

APPENDIX I: SERVING THE CONGRESS—GAO'S STRATEGIC PLAN FRAMEWORK

SERVING THE CONGRESS GAO's STRATEGIC PLAN FRAMEWORK

MISSION

GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.



Source: GAO.

Fiscal 2003-2007

APPENDIX II: GAO ACCOMPLISHMENTS THAT HELPED CHANGE LAWS, IMPROVE SERVICES, OR PROMOTE SOUND MANAGEMENT

GAO Efforts That Helped to Change Laws and/or Regulations

Consolidated Appropriations Resolution, 2003, Public Law 108-7.—The law includes GAO's recommended language that the administration's competitive sourcing targets be based on considered research and sound analysis.

Smallpox Emergency Personnel Protection Act of 2003, Public Law 108-20.—GAO's report on the National Smallpox Vaccination program highlighted volunteers' concerns about losing income if they sustained injuries from an inoculation. This statute provides benefits and other compensation to covered individuals injured in this way.

Postal Civil Service Retirement System Funding Reform Act of 2003, Public Law 108-18.—Analyses performed by GAO and OPM culminated in the enactment of this law that reduces USPS's pension costs by an average of \$3 billion per year over the next 5 years. The Congress directed that the first 3 years of savings be used to reduce USPS's debt and hold postage rates steady until fiscal 2006.

Accountability of Tax Dollars Act of 2002, Public Law 107-289.—A GAO survey of selected non-CFO Act agencies demonstrated the significance of audited financial statements in that community. GAO provided legislative language that requires 70 additional executive branch agencies to prepare and submit audited annual financial statements.

Emergency Wartime Supplemental Appropriations Act, 2003, Public Law 108-11.—GAO assisted congressional staff with drafting a provision that made available up to \$64 million to the Corporation for National and Community Service to liquidate previously incurred obligations, provided that the Corporation reports over-obligations in accordance with the requirements of the Antideficiency Act.

Intelligence Authorization Act for Fiscal Year 2003, Public Law 107-306.—GAO recommended that the Director of Central Intelligence report annually on foreign entities that may be using U.S. capital markets to finance the proliferation of weapons, including weapons of mass destruction, and this statute instituted a requirement to produce the report.

GAO Efforts That Helped to Improve Services to the Public

Strengthening the U.S. Visa Process as an Antiterrorism Tool.—Our analysis of the U.S. visa-issuing process showed that the Department of State's visa operations were more focused on preventing illegal immigrants from obtaining nonimmigrant visas than on detecting potential terrorists. We recommended that State reassess its policies, consular staffing procedures, and training program. State has taken steps to adjust its policies and regulations concerning the screening of visa applicants and its staffing and training for consular officers.

Enhancing Quality of Care in Nursing Homes.—In a series of reports and testimonies since 1998, we found that, too often, residents of nursing homes were being harmed and that programs to oversee nursing home quality of care at the Centers for Medicare and Medicaid Services were not fully effective in identifying and reducing such problems. In 2003, we found a decline in the proportion of nursing homes that harmed residents but made additional recommendations to further improve care.

Making Key Contributions to Homeland Security.—Drawing upon an extensive body of completed and ongoing work, we identified specific vulnerabilities and areas for improvement to protect aviation and surface transportation, chemical facilities, sea and land ports, financial markets, and radioactive sealed sources. In response to our recommendations, the Congress and cognizant agencies have undertaken specific steps to improve infrastructure security and improve the assessment of vulnerabilities.

Improving Compliance with Seafood Safety Regulations.—We reported that when Food and Drug Administration (FDA) inspectors identified serious violations at seafood processing firms, it took FDA 73 days on average, well above its 15-day target. Based on our recommendations, FDA now issues warning letters in about 20 days.

Strengthening Labor's Management of the Special Minimum Wage Program.—Our review of this program resulted in more accurate measurement of program participation and noncompliance by employees and prevented inappropriate payment of wages below the minimum wage to workers with disabilities.

Reducing National Security Risks Related to Sales of Excess DOD Property.—We reported that DOD did not have systems and procedures in place to maintain visibility and control over 1.2 million chemical and biological protective suits and certain equipment that could be used to produce crude forms of anthrax. Unused suits (some of which were defective) and equipment were declared excess and sold over the Internet. DOD has taken steps to notify state and local responders who may have purchased defective suits. Also, DOD has taken action to restrict chemical-biological suits to DOD use only—an action that should eliminate the national security risk associated with sales of these sensitive military items. Lastly, DOD has suspended sales of the equipment in question pending the results of a risk assessment.

Protecting the Retirement Security of Workers.—We alerted the Congress to potential dangers threatening the pensions of millions of American workers and retirees.

The pension insurance program's ability to protect workers' benefits is increasingly being threatened by long-term, structural weaknesses in the private-defined, pension benefit system. A comprehensive approach is needed to mitigate or eliminate the risks.

Improving Mutual Fund Disclosures.—To improve investor awareness of mutual fund fees and to increase price competition among funds, we identified alternatives for regulators to increase the usefulness of fee information disclosed to investors. Early in fiscal year 2003, the Securities and Exchange Commission issued proposed rules to enhance mutual fund fee disclosures using one of our recommended alternatives.

GAO Efforts That Helped to Promote Sound Agency and Governmentwide Management

Encouraging and Helping Guide Agency Transformations.—We highlighted federal entities whose missions and ways of doing business require modernized approaches, including the Postal Service, and the Coast Guard. Among congressional actions taken to deal with modernization issues, the House Committee on Government Reform established a special panel on postal reform and oversight to work with the President's Commission on the Postal Service on recommendations for comprehensive postal reform. We also reported this year on the Coast Guard's ability to effectively carry out critical elements of its mission, including its homeland security responsibilities. We recommended that the Coast Guard develop a blueprint for targeting its resources to its various mission responsibilities and a better reporting mechanism for informing the Congress on its effectiveness. Our recommendations led to better reporting by the Coast Guard and laid the foundation for key revisions the agency intended to make to its strategic plan.

Helping DOD Recognize and Address Business Modernization Challenges.—Several times we have reported and testified on the challenges DOD faces in trying to successfully modernize about 2,300 business systems, and we made a series of recommendations aimed at establishing the modernization management capabilities needed to be successful in transforming the department. DOD has implemented some key architecture management capabilities, such as assigning a chief architect and creating a program office, as well as issuing the first version of its business enterprise architecture in May 2003. In addition, DOD has revised its system acquisition guidance. By implementing our recommendations, DOD is increasing the likelihood that its systems investments will support effective and efficient business operations and provide for timely and reliable information for decision making.

Helping to Advance Major Information Technology Modernizations.—Our work has helped to strengthen the management of the complex, multibillion-dollar information technology modernization program at the Internal Revenue Service (IRS) to improve operations, promote better service, and reduce costs. For example, IRS implemented several of our recommendations to improve software acquisition, enterprise architecture definition and implementation, and risk management and to better balance the pace and scope of the program with its capacity to effectively manage it.

Improving Internal Controls and Accountability over Agency Purchases.—Our work examining purchasing and property management practices at FAA identified several weaknesses in the specific controls and overall control environment that allowed millions of dollars of improper and wasteful purchases to occur. Such weaknesses also contributed to many instances of property items not being recorded in FAA's property management system, which allowed hundreds of lost or missing property items to go undetected. Acting on our findings, FAA established key positions to improve management oversight of certain purchasing and monitoring functions, revised its guidance to strengthen areas of weakness and to limit the allowability of certain expenditures, and recorded assets into its property management system that we identified as unrecorded.

Strengthening Government Auditing Standards.—Our publication of the Government Auditing Standards in June 2003 provides a framework for audits of federal programs and monies. This comes at a time of urgent need for integrity in the auditing profession and for transparency and accountability in the management of scarce resources in the government sector. The new revision of the standards strengthens audit requirements for identifying fraud, illegal acts, and noncompliance, and gives clear guidance to auditors as they contribute to a government that is efficient, effective, and accountable to the people.

Supporting Controls over DOD's Credit Cards.—In a series of reports and testimonies beginning in 2001, we highlighted pervasive weaknesses in DOD's overall credit card control environment, including the proliferation of credit cards and the lack of specific controls over its multibillion dollar purchase and travel card pro-

grams. We identified numerous cases of fraud, waste, and abuse and made 174 recommendations to improve DOD's credit card operations. DOD has taken many actions to reduce its vulnerabilities in this area.

Senator CAMPBELL. Do any of your colleagues have any comments or they are just resources?

Mr. WALKER. They are here to answer questions.

Senator CAMPBELL. Senator Durbin, do you have an opening statement?

Senator DURBIN. Yes, I do. Thank you, Mr. Chairman.

[The statement follows:]

PREPARED STATEMENT OF SENATOR RICHARD J. DURBIN

Mr. Chairman, thank you for scheduling today's hearing, the first of four budget oversight hearings to be held by the Legislative Branch Subcommittee this year. I'm glad we're all here and ready to begin working on this year's budget. Based on the events of last week, this is obviously going to be a very challenging year. I'm very happy to see that we are moving ahead with the hearing over on this side of the Capitol.

Mr. Chairman, I am happy to be working with you on this important bill again this year. I think we did a good job working together last year and finishing the bill in a timely manner. With any luck, we can do so again this year.

This is an important Subcommittee. There are 12 other Appropriations Subcommittees that fund all of the Executive Branch Agencies and Departments. The Legislative Branch has this one Subcommittee in which we need to fund all of the tools and resources required of a co-equal branch of government.

Today we are going to hear from three important Legislative Branch agencies, the General Accounting Office, the Government Printing Office, and the Congressional Budget Office. I join Chairman Campbell in welcoming David Walker, the Comptroller General of the United States, Bruce James, the U.S. Public Printer, and Douglas Holtz-Eakin, the Director of the Congressional Budget Office to today's hearing.

Gentlemen, I know I don't have to tell you that this is going to be a very challenging year for this Committee. The budget constraints under which we are expected to work seem unrealistic to say the least.

However, it is important to the Members of this Subcommittee that you have the resources you need to do your jobs effectively and efficiently.

To the extent that any of your budget requests have holes in them which could negatively impact your performance during fiscal year 2005, I hope you will share those concerns with us.

First, Mr. Walker, I want you to know how much I appreciate everything you do for us here in the Senate. I particularly appreciate the guidance I have received from you and your staff on matters relating to the Capitol Visitor Center. I know this has been a tremendous task, but I think it is extremely important for Members to have access to your external oversight of this project as we make decisions about how to move forward on the CVC. I hope you will spend several minutes today discussing the GAO Human Capital Reform Act, which was approved in the House last week and will now be voted on in the Senate. This legislation will certainly give you broader flexibility in constructing your workforce. I look forward to hearing how this works for you and if you think it is worth pursuing in other federal agencies.

Mr. James, you are doing a tremendous job as Public Printer. I am looking forward to hearing your testimony about your plans to relocate the Government Printing Office. You certainly have a vision for the future of the GPO and I hope you will walk us through it. I would also like to hear a little about your voluntary separation incentive program. The 10 percent staff reduction and savings of \$21.7 million was very impressive, and I understand that you are about to undergo another voluntary separation incentive program in April.

Mr. Holtz-Eakin, I see you have a relatively flat budget, consisting mainly of increases in salaries and benefits. The Congressional Budget Office does great work in providing important information to the Congress. Over the years I have had concerns about your experiment with the dynamic scorekeeping initiative and I would appreciate it if you would provide the subcommittee with an update on where this experiment stands.

Mr. Chairman, I will conclude here and request that my entire statement, as well as a series of questions, be made a part of the record.

STRATEGIC HUMAN CAPITAL MANAGEMENT

Senator CAMPBELL. We will go to a couple of questions.

In looking at your testimony, Mr. Walker, the GAO listed strategic human capital management as among its top high risk issues for the Federal Government. Can you tell me what that involves in laymen's terms?

Mr. WALKER. What it involves is making sure that we have the right number of people with the right skills and knowledge in the right agencies doing the right things. It also means modernizing Federal management practices for how we treat people. It also means civil service reforms in order to provide management with reasonable flexibility to make decisions while incorporating adequate safeguards to prevent abuse of employees and also making sure that we have certain principles that are timeless in nature that apply across Government so we do not have the balkanization of the civil service, among other things, Mr. Chairman.

PAY-FOR-PERFORMANCE

Senator CAMPBELL. That sounds commendable.

Under your current pay-for-performance system, how do you determine how many people will be given pay raises, and who makes that decision? Are the increases all tied to performance?

Mr. WALKER. Well, first, we have several categories of employees at GAO.

Senator CAMPBELL. How many employees are there at GAO?

Mr. WALKER. About 3,260. With regard to our categories, we have our auditors, analysts, and investigators. That is one category. That comprises over 70 percent of our employees. We have attorneys, which is another category, and then we have our administrative, professional and support staff. The auditors, investigators, and analysts have been involved in pay-for-performance since the late 1980's. The attorneys have also been involved in pay-for-performance since the late 1980's. The administrative, professional and support staff are moving to a pay-for-performance (PFP) system. Right now they are under the current GS system, which provides for periodic and optional quality step increases. We have designed a new competency-based performance appraisal system for them as well as a pay-for-performance system. So, for next fiscal year, almost all of our employees will be under a pay-for-performance system. Those not in PFP are our wage grade individuals.

We have a modern, effective, and credible competency-based performance appraisal system, which provides for a meaningful distinction in performance among all individuals, and is tied to our strategic plan. It is focused on the results that we want to deliver for the Congress and the country.

RATING PERFORMANCE

Senator CAMPBELL. Does the immediate supervisor do the rating of the performance?

Mr. WALKER. Yes, Mr. Chairman. There is a designated performance manager. That designated performance manager will come up with a proposed rating, but then there are a number of review processes that take place in order to provide reasonable assurance

that there is consistency, equity and nondiscrimination in how we go about completing the process. There is reporting all the way up to the Executive Committee, which involves myself, my two colleagues on my immediate right and left, as well as our general counsel. There is also transparency with regard to results. We post the results, maintaining privacy, but the overall results, so that all of our employees can see what the results are.

We are clearly leading the Government in this regard, Mr. Chairman. There is no doubt about it.

GAO HUMAN CAPITAL FLEXIBILITIES

Now, the last thing I would mention is we do have legislation that has already passed the House. It has passed the Senate once. It is coming back to the Senate because the House version was slightly different. That bill would give us the ability to improve our pay-for-performance system. It has broad-based bipartisan and bicameral support. We are hoping that the Senate will pass it via unanimous consent in the near future.

TRAINING GAO EMPLOYEES

Senator CAMPBELL. Tell the committee a little bit about the training for fiscal year 2005, which is about a 4 percent increase over 2004. What does that training include? What kind of training is it and do you have a strategic plan for the training? And how much of that is directly related to maintaining technical skills? Just give us a little information about it.

Mr. WALKER. Well, as you know, Mr. Chairman, we are a professional services and knowledge-based organization. We are only as good as our people, and therefore, we have to do everything that we can to attract, retain, and train our people.

During this past year, we hired Carol Willett, who is our Chief Learning Officer and who formerly was a top training official at the CIA. She has been working with the Executive Committee and all of our employees and others to modernize our training and learning curriculum.

Four percent is, I think, a modest increase, but it is only the hard dollars. In other words, that is only the dollars that we actually spend on consultants or outside activities. We obviously invest a lot more in the way of time in helping to execute our training program.

We are basically training on professional standards. We are training on technical matters, including subject matter expertise. We are training on leadership skills. We are training on changed management experience. So it is a very comprehensive curriculum. Our objective is to be world-class in this regard, and I think we are headed there.

Mr. DODARO. Senator, one additional comment on the training at GAO. One-third of our employees right now have been with GAO less than 5 years because of changing demographics and bringing in new people. So training this next generation of people is very important to build our institutional knowledge for the Congress. It is very important to keep that up.

EFFECT OF FUNDING FREEZE

Senator CAMPBELL. We understand about fast turnovers. We have them here too.

Well, let me ask you, as I am going to ask all three panels. You heard me say we are going to have some limited funds and we might not be able to increase the amount that you need. What happens if we cannot? How is this going to impact your budget if we have to have a freeze in spending at the current level?

Mr. WALKER. Well, Mr. Chairman, to a great extent it depends upon what other actions Congress takes. For example, if you look at our proposed increase, which is the smallest of any legislative branch entity, 4.9 percent, most of that is mandatory increases. For example, we were told to include in our request a 3.5 percent increase in compensation for all of our employees. So if Congress ends up mandating that we have to give an automatic pay increase to all of our employees and since 81 percent of our costs represent payroll costs, then it is going to be extremely difficult for us to deal with a flat-line budget.

There are things that we have started to look at as to what we might be able to defer or cancel, but the fact of the matter is that when 81 percent of our costs represent people costs, we do not have a whole lot of flexibility. We have to start talking about how many people we can have.

Senator CAMPBELL. So if we have a freeze in the budget, you are going to have to reduce your manpower.

Mr. WALKER. We may have to reduce our manpower. We would obviously only do that as a last resort, but I think it could be possible. If Congress mandates pay increases and does not fund those pay increases, it is going to make it that much worse.

But I will also reinforce that our human capital legislation that is pending before the Senate at the present point in time is of critical importance not only to keep us in the lead in human capital reform, but to give us additional flexibility to deal with the difficult budget situation next year. It is critically important.

GAO TRAVEL PATTERNS

Senator CAMPBELL. Okay, thank you. That was my last question, but I would like you to provide for the record something about your travel which, as I understand, seems to be relatively high for the number of people that are employed. If you would send it over to us. I would like to know the number of people who traveled, the average cost of the trip, the average duration of the trip, and the number of people that went on each trip, and how much travel was spent on training, the number of trips that were made overseas and why they went overseas, and a number of other things.

Mr. WALKER. I will be happy to provide it, Mr. Chairman. I would note for the record on a preliminary basis it is my understanding that our per capita travel costs are actually down compared with where they were 10 years ago, but I will be happy to provide all that information and any explanations.

[The information follows:]

Question. It seems as though GAO's travel budget is very high considering the number of people employed by the agency. Your request for fiscal 2005 looks like it would average over \$3,500 per person. Why is travel so high?

Answer. Our congressional mandates and requests require us to follow the federal dollar no matter where it goes—across our expansive country or across the globe. As a world-class professional services organization, we rely on travel to (1) meet our professional standards, including generally accepted governmental auditing standards; (2) conduct our work in supporting the Congress; and (3) provide staff technical training needed to comply with minimum annual continuing professional education requirements. We collect original information, directly observe program activities first hand, and have high standards in the conduct of our work that require adequate standards of evidence. Travel provides the means to conduct first-hand research that contributes to effective oversight of federal programs. We conduct our work in an unbiased manner that usually means we take responsibility for gathering the relevant data, rather than relying on material provided by others. Our credibility is enhanced by what we learn on travel. The ability to “be on the ground” increases the value and credibility of our work. Also, we are often able to obtain various types of evidence, e.g., access to internal agency databases that would not be available at a distance. First-hand observation and data gathering also helps us make decisions about data reliability when we observe or talk to those persons who are responsible for entering the data. Also, travel provides developmental opportunities for inexperienced analysts that can only be gained from on-site work.

GAO is committed to gaining as much as possible from travel. We weigh many factors before approving engagement travel. We strive to be as knowledgeable as possible on the issues before conducting fieldwork. We assess the overall cost of each trip, including staff time, as well as travel dollars. We also judiciously prioritize the use of funds and assess possible alternatives to travel. We actively focus on reducing costs by limiting the number of travelers; minimizing time spent on per diem; using alternative, more cost-effective airports and indirect flights to reduce transportation costs; and consolidating purposes to avoid multiple trips.

GAO drastically reduced travel spending in the mid-1990s due to budget constraints. Travel spending, as a percentage of our total budget, has remained relatively flat since then at less than 3 percent. In fiscal year 1995, our travel per capita cost averaged \$3,632 in 2004 dollars—slightly higher than our estimated fiscal year 2004 travel per capita cost of \$3,482.

Recently, we convened a task force of senior managers to further review our travel practices and identify ways to improve our effectiveness and efficiency. The task force will be making recommendations to the Comptroller General and the Executive Committee later this year.

Question. For the record, can you give the committee a detailed analysis showing the following? The number of people who traveled in fiscal year 2003.

Answer. In fiscal year 2003, 2,324 staff traveled—over 70 percent of our staff on board at the end of the fiscal year. Staff that conduct fieldwork and gather data conduct the majority of our travel. Typically, they are recurring travelers.

Question. What was the average duration of each trip?

Answer. The average duration per trip in fiscal year 2003 was 4 days.

Question. What was the average number of people that went on each trip?

Answer. In fiscal year 2002, the average number of staff per trip was 2. Generally, most engagement related trips require a minimum of 2 staff to ensure data integrity and the reliability of interview write-ups. Other travel may only involve 1 GAO employee.

Question. What was the average cost per trip?

Answer. The average cost per trip was \$1,014 in fiscal year 2003.

Question. How much travel was spent to attend conferences not directly associated with a specific job? How much travel was spent for training?

Answer. In fiscal year 2003, we spent 7 percent of our travel funds to support training and development activities, including conferences and speeches, many of which were related to specific jobs. Presently, we do not segregate the cost for each of these activities, but plan to do so in the future. These trips allow staff to attend training and professional conferences to gain and share information, as well as to represent GAO in their professional capacity.

Question. What was the number of trips that were made overseas and why?

Answer. In fiscal year 2003, 380 trips were made outside the contiguous United States to areas such as Afghanistan and Iraq. Our International Affairs and Trade team conducted travel to assess peacekeeping transitions, review the U.S. public diplomacy, monitor sensitive exports, review refugee protections, assess embassy conditions, review ocean container security, and assess the global health fund. Travel by other teams and offices included issues related to joint strike fighter allies, for-

eign military sales shipments, foreign schools, port security, force protection, contractors on the battlefield, plutonium production reactors and radioactive sources, international aviation consumer benefits, postal work-sharing, border security, and collaboration with the other Supreme Audit Institutions.

Question. What has been the average increase over the past five years in per diem and transportation costs?

Answer. Per diem costs represent about sixty-two percent of our total travel costs. Between fiscal years 2001 and 2003, in the 20 major cities that we travel to most often, per diem costs increased an average of 4 percent, while domestic airfares increased an average of almost 7 percent from Washington, D.C., and international airfares increased an average of 10 percent. Between fiscal years 2001 and 2003, per diem costs increased 18 percent in Atlanta, 16 percent in Chicago, 23 percent in Denver, 25 percent in Seattle, and 21 percent in Washington, D.C. Since fiscal year 1999, transportation costs have increased almost 40 percent.

TECHNOLOGY ASSESSMENT

Senator CAMPBELL. Thank you.

Would you mind if I yield to the chairman?

Senator DURBIN. No, of course, not.

Senator CAMPBELL. Before we turn to our ranking member, I would like to yield to the chairman of the full committee. Senator Stevens, do you have any comments or questions?

Senator STEVENS. Well, first to express my regret for your decision yesterday, Mr. Chairman.

Senator CAMPBELL. My granddaughter, 4 years old, is very happy with it.

Senator STEVENS. I was just going to say you would like to get to know your grandchildren before they enter college, which is what my experience has been.

Mr. Walker, I note that you are going to have four additional staff devoted to establishing a technology assessment capability. Now, I am one of the few survivors of the Office of Technology Assessment Board. It was one of the most controversial boards that we ever had, and it brought in the private sector, it brought in Government, it brought in academia, and the oversight of Members of the House and the Senate.

Being what you are, an office that serves the Congress, both the House and the Senate, and knowing the propensity for these issues to involve horrendous political controversies, why are you doing this?

Mr. WALKER. Well, Senator, first, it was not our idea. The fact of the matter is there are a number of parties in Congress and individuals on both ends of the Hill and both sides of the aisle who are interested in some limited technology assessment capability. They specifically asked us to include a proposal for consideration by the Congress as to whether or not if there was some limited technology assessment capability, what we thought would make sense.

Our view, Senator, is this is a decision for the Congress to make. I think there was a general view that it does not necessarily make sense to create a new entity, and to the extent that there was an existing entity within the legislative branch that could meet this need, that GAO was the logical entity to do it.

The additional FTE's and the \$545,000 would be for additional skills that we think we would need in order to be able to properly address this.

But it is really up to the Congress as to whether or not you want to expand our mission for us to do this.

Senator STEVENS. We have two shared staffs, the GAO and the Congressional Research Service. We had a meeting yesterday of the Joint Committee of the Library, which I am honored to be chairman of, and we discovered yesterday that CRS has hired four technology assessment scientists.

Now, I would respectfully suggest that you should take this issue to the Government Affairs Committee and let both Houses review this. Obviously, with the loss of the Technology Assessment Board concept, we do need in Congress some substantial advice on technology assessment. Actually the old Board came out of the SST controversy, and we decided we did not have the capability. We reviewed that and created a Board that assisted us for some time.

I personally favor restoring the Board and having some Members of Congress in constant oversight of what is going on on a bipartisan basis and a bicameral basis. But I do not think that either entity of the Congress should proceed to fill this gap without some direction from the Congress itself. Enough said on that.

On your pay-for-performance concept, did you generate that or was that pursuant to an act of Congress?

SOURCE OF PAY-FOR-PERFORMANCE

Mr. WALKER. No. This is at our generation, Senator. We have been a leader in the Federal Government for years in pay-for-performance, and we are looking to provide additional flexibility for pay-for-performance. We have also been a leader in the Federal Government in the so-called broad-banding concept which is moving away from the 15 General Schedule (GS) levels and to have flatter and more flexible classification systems and pay systems. So we have been in this business for a while, Senator.

Senator STEVENS. Again, I remember when I was chairman of the Government Affairs Committee, we had China Lake and San Diego experiments on the whole concept of unit management rather than directed management by law. But we had some parameters from the Congress in setting it up. You do not have any parameters. Right?

Mr. WALKER. Well, Senator, we actually do. And the other thing is——

Senator STEVENS. Where do you have it from?

Mr. WALKER. Well, we had legislation in 1980 that gave us the authority to go to broad-banding and additional pay-for-performance. We had legislation in the year 2000, and now we have legislation pending before the Senate, the GAO Human Capital Reform Act of 2003. It has actually already passed the Senate once, but the House passed a bill that was slightly different, and so now we have for consideration by the Senate that legislation, which is of critical importance to, number one, help us to continue to make progress on pay-for-performance, and second, to give us additional flexibility if we have a tight budget year next year.

Senator STEVENS. All right. My memory is that the past performances ended up with the chiefs being able to divide the money for performances and the Indians sitting there at the desks and not having annual increases. I would be very interested to see how you

are going to balance the rights of those who are permanent employees from the temporary super stars you have got.

Mr. WALKER. Senator, I would be happy to provide you some information. We have, I think, successfully addressed that issue. There is no such thing, as you know, as a perfect performance appraisal system, but I clearly believe, Senator, that we are in the lead in the Federal Government in this regard. I would be happy to provide you some additional data and statistics with regard to this.

FEDERAL DEFICIT

Senator STEVENS. My staff tells me that you have expressed some rather strong views on the deficit. Is that right?

Mr. WALKER. Well, Senator, let me tell you what I have done. As you know, I am the audit partner on the consolidated financial statements of the U.S. Government. My comments really are twofold. One, that if you look at how we keep score, both as it relates to financial reporting, the financial statements of the U.S. Government, which were just released, I might add, last Friday for fiscal year 2003, that it does not provide a full and complete picture of our true financial condition. For example, it does not adequately consider the difference between promised Social Security benefits and promised Medicare benefits and the resources that are there, the payroll taxes, et cetera. So we actually have huge unfunded commitments that are not given enough transparency.

I have also noted concern about the fact that given known demographic trends, the retirement of the baby boom generation and rising health care costs, that we are likely to face a structural deficit in future years that is going to require the Congress to take a look at entitlement programs, discretionary spending, and tax policy in the way that you deem appropriate to try to address that gap.

Senator STEVENS. Have you addressed the lack of a capital budget for the United States?

Mr. WALKER. I have touched on that somewhat, Senator. One of the problems we have is the way that we keep score is problematic, and one of the challenges that we have, as you know, Senator, is we treat capital transactions the same way that we do operating expenses.

There are different ways that one could approach that. You would not necessarily have to have a capital budget, but as you yourself have noted, in the case of trying to make major capital purchases, we need to figure out how we can go about doing that in a way to recognize that we need to modernize our platforms, we need to modernize our infrastructure, and those are investments that end up inuring benefits over a number of years rather than just in the year that you appropriate the money.

Senator STEVENS. I do not want to prolong this, but I showed to a group of Senators yesterday a chart that I had of the infrastructure investment by China per year and the increase in infrastructure investment of the United States per year, and it has declined. We are supposed to be involved in a world economy, competing globally. If we continue to take the position that the Federal Government should not spend for the infrastructure that is necessary for growth, then by definition we will not have any growth. And I

think we face a challenge internationally in terms of our place in the global marketplace that cannot be handled unless we address the subject of a capital budget and, if necessary, the concept of bonding some of that expansion. So I would welcome your review of that.

Again, I am still on the Government Affairs Committee. I hope to raise this before the Government Affairs Committee so that we might consider it after the election. It is not something we address in an election year. But clearly, we cannot deal with this situation, and I mentioned it this morning in another committee. When we have energy development in Alaska, we have to take our roads allowances for our highways and build the roads to that energy development. In any other place in the world, the government provides infrastructure. As a matter of fact, if you want to build a building in China, you go to one entity and get one permit and you outline the necessity for your infrastructure and it is there within literally weeks. You could not build a building in this town in less than 4 years. So I do think we either get on to the capital budget concept and infrastructure renewal—the bridges we have and interstate highways were built in Eisenhower's day, and many of them are decaying and are really seriously in need of replacement or modernization.

So I would welcome your comments on these things. I do not think we should become deficit blind, and if we do not wake up, we are going to be a third class power, not only militarily but economically.

Mr. WALKER. Senator, I would love to meet with you sometime on this, and we have done work on this in the past, as you know. So I would welcome the opportunity.

Senator STEVENS. I would welcome the opportunity to work with you on the technology assessment activity, but I would urge you to go to Government Affairs and get some outline so later we do not have a political squabble over who you have hired and what they have done.

Mr. WALKER. We will do it.

Senator STEVENS. Mr. Dodaro?

Mr. DODARO. Senator, that is a good idea and we will pursue that, but I just want to note for the record that we were required to do a pilot in the technology assessment area 2 years ago. We did one, and we were required to have an evaluation of it by outside parties.

Senator STEVENS. Who required it?

Mr. DODARO. It was required by the Congress in our appropriation bill. We did it on biometrics.

Senator STEVENS. I do remember that.

Mr. DODARO. Yes, and we were deemed to have done it successfully, but it required some additional changes. And we were kind of viewed as an interim gap for the Congress, with CRS providing quick turnaround using secondary research, and the National Academy of Sciences doing long-term studies. GAO was looked at as a potential option to meet an intermediary need.

Senator STEVENS. If we are not careful, though, we are going to have different arms of the Congress giving us different advice on the same technology.

Mr. DODARO. Yes, exactly, Senator. We do not dispute your concerns about this. I think it is important to work it through.

Senator STEVENS. Thank you very much, Mr. Chairman. Thank you, Senator Durbin.

Senator CAMPBELL. We will now turn to Senator Durbin.

RETURN ON INVESTMENT

Senator DURBIN. I just wanted to make one observation. I want to thank Mr. Walker and all those in the GAO. I note that you have, in your testimony, acknowledged that the GAO has had a \$78 return on every dollar appropriated. Have you considered taking over the thrift savings plan?

Mr. WALKER. It is not in our line of business.

Senator DURBIN. If we had a G fund and it was a GAO fund, that return?

Mr. WALKER. Some have suggested we ought to do an IPO, but I do not think that is appropriate.

Senator DURBIN. Two questions I would like to ask you. One is related to technology. It is my impression that the technology of the United States Senate is two steps behind the world and three steps behind the House. I happen to live with House Members and I hear what they are doing. It just amazes me that there is such a dichotomy and divergence here between the technology that is being used on the other side of the Hill and what we are using in the Senate. We seem to be late to the party time and again. I will not dwell on that other than to say I am going to send you a note and ask you to please look into this because I think that there are things that, for some reason, we are very slow to come to in changes here.

Let me ask you one specific question. I feel very strongly about the human capital issue and the fact that to attract the best and brightest of the new young men and women who are available requires some attentiveness to the issue of student loans. I have found that time and again that some of the very best people cannot afford to make the Government service choice because of their student loan indebtedness.

Now, I created this idea a few years ago. I have to tell you candidly that I do not think it got off to a strong start in the Senate because, frankly, no one wanted to take on the responsibility of deciding how to establish standards. Have you used this program in GAO and can you tell me whether or not you think it has value to you in terms of human capital?

STUDENT LOAN REPAYMENTS

Mr. WALKER. Senator, I believe we were the first agency in the Federal Government to adopt the student loan repayment program. We are the second largest user of student loan repayments in the entire Federal Government as far as the number of student loan repayments and the amount of dollars involved. Number one is the State Department. Needless to say, we are a lot smaller than the State Department.

To give you just some statistics off the top, last year we gave about \$1.2 million—pardon me—last year, fiscal year 2003,

\$945,000 in student loan repayments, that averaged about \$4,000 each.

We have criteria that we set up where we look at the nature of the position, what the skills and knowledge are for the position. As you know, there are statutory limits as to how much you can do in a given year and how much you can do over a period of time.

One of the things that we have done is, in addition to trying to attract and retain critical skills, we have really structured our student loan repayment program to try to help us maximize the chance that we can keep top new talent for at least 3 years. And the reason I say that is that our statistics show over time that if we can keep people for 3 years, then many times we can keep them for many years because they understand what public service is all about. They understand the difference they can make at GAO. They understand that we are a very unique place where you will be challenged your entire career and you can work in different areas and yet still work for the same entity. And it has been extremely successful. It is a very popular program. It is very successful, and we are using it strategically to help us attract, retain, and motivate top talent.

TAX FORGIVENESS OF STUDENT LOANS

Senator DURBIN. The second thing I will be asking the GAO is to take a look at the student loan redemption or forgiveness programs across the board, which I have some pride of authorship. But I also want to be candid. I do not think they are being applied fairly and evenly in all agencies. I think we ought to try to establish some common standards and what you have just described sounds like a good start. So that will be my second request of you.

Mr. WALKER. Thanks, Senator. One thing I would mention that would be helpful and it would involve an amendment to the Internal Revenue Code, which obviously raises a jurisdictional issue, but as you know, right now the student loan repayment is on a taxable basis. We could really leverage these dollars quite a bit if these were nontaxable because actually what we have right now is a situation where if somebody gets a student loan repayment, they have to include it in their income. If they end up leaving within a period of time, they have to pay back the full gross amount, in other words, including the taxes. It is a way that you could end up potentially further leveraging the dollars without appropriating additional money, but it would involve an amendment to the tax code.

ADDITIONAL COMMITTEE QUESTIONS

Senator DURBIN. Thanks very much. Thanks, Mr. Chairman.

Senator CAMPBELL. Thank you and we thank this panel for appearing.

[The following questions were not asked at the hearing, but were submitted to the Office for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR BEN NIGHTHORSE CAMPBELL

Question. You are requesting about \$4 million for training in fiscal year 2005. Does this include both the cost of training provided by GAO's internal staff or is it only training provided by contractors?

Answer. The requested amount includes (1) contractor costs to develop and/or provide training, (2) tuition costs to enable GAO-sponsored groups or individuals to

participate in job-related courses offered by private and public vendors, and (3) costs for training manuals and online tutorials. It does not include the time cost of training provided to or received by GAO staff.

Question. What kind of training is provided by contractors and what is done by GAO's internal staff?

Answer. Training that addresses development of core analytic skills, GAO policies, standards, and culture, and quality assurance procedures and practices are developed in-house using GAO subject matter experts and adjunct faculty. Professional development topics that are more general in nature, such as coaching, teambuilding, or project management, are outsourced. We seek to provide a blend of face-to-face classroom interaction, online learning and web-based performance support tools. Learning programs delivered in each of these ways have been developed in-house, developed jointly with outside contractors or consultants, and purchased from outside vendors.

Question. How many people has GAO dedicated to its internal training function, and what is the cost of this effort?

Answer. GAO has about 15 staff, at an estimated cost of \$1.9 million, assigned to its internal training function. These staff are responsible for overseeing contractor training development and delivery; developing training materials; coordinating training delivery to GAO staff; providing subject matter expertise, conducting training courses, and assessing course development and content; and working with GAO managers and staff to identify options for maintaining and enhancing course offerings.

Question. How much of that is directly related to maintaining or enhancing technical skills? How much is directly related to supervisory and management training?

Answer. GAO's total investment in training approximates that spent by comparable professional services organizations. Our request provides funding for development and delivery of courses in our newly revised curriculum not only to maintain individual professional competence, but also to enhance it, thus promoting a work force that continually improves its skills and knowledge. To this end, we require analyst and specialist employees complete 80 hours of continuing professional education credits every 2 years. The proposed new mandatory curriculum for analyst staff includes 256 hours to maintain or enhance technical skills through orientation to GAO processes and customers, core analytic skills training, and professional development at an estimated cost of about \$2 million. This training is critically important because about 38 percent of our analyst staff have 5 years or less with GAO. Also, about 172 hours of training in the new mandatory curriculum will focus on leadership development for senior and management-level analyst staff at an estimated cost of \$687,000. Teams and offices provide training on substantive professional development and subject matter expertise at an estimated cost of \$1.6 million.

We plan to develop a mandatory curriculum for our administrative, professional, and support staff which will include components for technical skills, as well as supervisory and management training.

Question. Do you have a strategic plan for training in GAO? If so, could you supply it for the record?

Answer. Human capital elements, such as training, have always been broadly reflected in our agency strategic plan. However, we felt the need to have a separate human capital plan due to the importance of human capital management as the cornerstone of GAO's management framework and the high interest in such a plan. During fiscal year 2003, we made substantial progress towards finalizing our first formal and separate strategic plan planning document for human capital that communicates our strategy for becoming a model, professional organization, including how we plan to attract, retain, train, motivate, and reward a high-performing and top quality workforce. Management has reviewed the draft human capital strategic plan and we are following it in practice. We are waiting for enactment of our pending human capital legislation. Thereafter, we will finalize the plan and provide copies to the committee.

GOVERNMENT PRINTING OFFICE

STATEMENT OF BRUCE R. JAMES, PUBLIC PRINTER

ACCOMPANIED BY:

**BILL TURRI, DEPUTY PUBLIC PRINTER AND CHIEF OPERATING
OFFICER
STEVE SHEDD, CHIEF FINANCIAL OFFICER
MARC NICHOLS, INSPECTOR GENERAL**

SUMMARY STATEMENT OF BRUCE R. JAMES

Senator CAMPBELL. We will now hear from the Government Printing Office, Bruce James, the Public Printer; Marc Nichols, Inspector General; William Turri, the Deputy Printer; and Steve Shedd, the Chief Financial Officer.

Mr. James, why do you not go ahead and proceed. If you would like to abbreviate your comments, your complete testimony will be in the record.

Mr. JAMES. Thank you, Mr. Chairman. I am pleased to be with you here today to offer testimony in support of the Government Printing Office's appropriations request and to answer any questions you may have. At the table with me is Bill Turri, the Deputy Public Printer of the United States and the Chief Operating Officer, and to my immediate right is Steve Shedd, our Chief Financial Officer, and to my far right is Marc Nichols, our Inspector General.

Last year at this hearing, I discussed the importance of developing a strategic plan for the GPO that is aligned with the changing information requirements of the agencies of Government, the national library community, and the general public. I also testified about the importance of stabilizing GPO's finances by stopping the long string of financial losses.

We have made great strides toward the development of a strategic plan that can be accepted by Congress, employees of GPO, the printing and information industries, and the library community. We are wrapping up the first phase, the fact finding, and are only waiting for the final reports from GAO's study of the future information dissemination needs of the Government. We expect to complete a final plan before the beginning of next fiscal year.

Meantime, as you know, we have proceeded to make changes to our organization that will be required regardless of the final plan. We have taken the steps necessary to stabilize the financial condition of the GPO by reorganizing and streamlining our business units, reducing employment, and shutting unnecessary operations. We conducted a successful early retirement program last year and have another underway. By the summer, we will have reduced overall agency employees by 20 percent from the time that I arrived at the GPO a little over 1 year ago. We have changed our capital investment program to require faster paybacks for taxpayers. If there are no unanticipated setbacks as the year pro-

gresses, we should end this fiscal year at or near the breakeven point rather than the \$33 million loss I inherited, all while measurably improving our service levels to agencies, libraries and the public.

Next year we will begin to roll out a series of new printing and digital information products now being developed by our New Products and Revenues Group which is supported by our Office of Innovation and New Technology, both of which report directly to me.

While I cannot bring before you a finished strategic plan today, I can tell you that every sign is pointing to the necessity of maintaining a centralized public source for Federal Government documents that takes into account the fact that more than 50 percent of our documents are born digital and will never be printed by the Government except on demand, as needed. This calls for a different type of dissemination system, one that can deal with multiple electronic versions of the same document, authenticate electronic documents as official and reliable, and preserve the digital record of the American Government in perpetuity.

Congress is fortunate to have in place an organization for providing such services to the American people staffed by more than 2,000 printing and information professionals who together have more than 55,000 years of experience in collecting, processing, and the distribution of United States Government documents. The men and women of the GPO are here to serve you and guide our brothers and sisters throughout the Government into the complex world of 21st century digital information.

PREPARED STATEMENT

We appreciate the trust and confidence that Congress has placed in us and this subcommittee in particular for your support of our initiatives. To continue to serve your needs and those of the courts and the executive branch agencies, we are asking for a \$25 million technology investment. We will use this to modernize our document handling systems, which will reduce future costs and lead to lower appropriations for congressional printing and binding and other Government documents.

With that, we would be pleased to entertain your questions.
[The statement follows:]

PREPARED STATEMENT OF BRUCE R. JAMES

Mr. Chairman and Members of the Subcommittee: It is an honor to be here today to present the appropriations request of the U.S. Government Printing Office (GPO) for fiscal year 2005.

2003 Results.—I'm pleased to report that 2003 was an extraordinarily eventful and productive year for the GPO. With funding from the Legislative Branch Appropriations Act for 2004 and the approval of the Joint Committee on Printing, we conducted a highly successful voluntary separation incentive program that allowed us to reduce our workforce level by more than 300 positions, or 10 percent, yielding annual savings of \$21.7 million. Together with our efforts to shutter GPO's failing retail bookstores, which will generate savings of \$1.5 million in the first year, and the other steps we have taken to better manage our operations, our finances are being restored to a positive basis.

We have undertaken additional measures in recent weeks that will yield further financial benefits. With the approval of the Joint Committee on Printing, we are implementing another voluntary separation incentive program that is targeted at reducing an additional 250 positions, yielding an annual savings of \$16.5 million for fiscal year 2005. This program will be financed through our revolving fund during

the April-July period of this year. The Joint Committee has also approved our plan to end the financial losses at our Denver regional printing plant by closing it. Barring any unforeseen developments, these and related actions we are taking to improve efficiency and economy will allow us to complete fiscal year 2004 at or near the break-even point, halting a decade-long pattern of year-end losses and setting the GPO on the road to sustained financial health.

Transforming the GPO.—Apart from restoring our finances, during 2003 we began the transformation of the GPO into a 21st century digital information processing facility. We carried out a broad reorganization to redirect the GPO's management, expanded our workforce development resources, began modernizing the GPO's product lines with new offerings such as Public Key Infrastructure technology, and initiated planning for the restructuring of our Federal Depository Library Program. We also improved emergency preparedness for our employees and for continuity-of-government operations. Across the board—from our customers in Congress, Federal agencies, and among the public, from the printing industry, the library and information communities, and from our employee representatives—we're getting strong support for the direction we're heading.

Transforming the GPO for the long term will require much more than the changes we've already achieved. As you know, in the coming weeks the General Accounting Office will be concluding its congressionally-mandated study of Federal printing and information policy. The study will establish a baseline of current operations on which we can confidently build a strategic plan for the GPO's future involving consultations with all of our stakeholders. The plan will include recommendations for reforming the 19th century statutes comprising Title 44 of the U.S. Code, the laws that authorize our programs and operations.

Dealing with the GPO's building needs is a major transformational issue that we are also addressing. As reports in *The Washington Post*, *The Washington Times*, *Roll Call*, and *The Hill* have detailed recently, we've begun a process that we expect to culminate by 2007 in the relocation of the GPO from our aging, oversized quarters on North Capitol Street to modern, efficient facilities—preferably in the District of Columbia—that are sized and equipped to meet our needs in the 21st century. Rather than burden the taxpayers with this project, we want to investigate opportunities to finance it through the redevelopment of our current structures. In addition to benefiting the GPO and our customers, this approach will also generate significant benefits for the District. We have obtained the approval of the Joint Committee on Printing to proceed with the initial stages of this project and we will continue to consult closely with Congress as we proceed. As part of these efforts, we are seeking specific statutory approval to utilize up to \$500,000 in our revolving fund to finance the services of experts to help us in this process.

Beyond our planning and building efforts, the transformation of the GPO will require investments in new technology for collecting, processing, and distributing Government information. This will establish the GPO's leadership in using the best leading-edge digital technology in support of Congress, Federal agencies, and the public. The GPO has a vastly expanded role to play in content management, authentication of documents, meeting the challenges associated with versioning of electronic data, on-demand printing, the transfer of information from one generation of technology to the next, and the preservation of digital information in perpetuity. The 19th century is not coming back. These are the baseline services that the GPO must be prepared to provide if we are to carry out our mission effectively in the 21st century. In addition to our request for funding for continuation of services, our appropriations request for fiscal year 2005 reflects this investment requirement, which is essential to the GPO's future and the future information activities of the customers we by law support.

Fiscal Year 2005 Request.—Our appropriations request is designed to provide for the: Continuation of our congressional printing and binding operations at required levels; continuation of our document dissemination services at required levels; investment in GPO's future as a 21st century digital information processing facility; separate funding for the GPO's Office of the Inspector General; and modernization of business practices through appropriate legislative changes.

Continuation of Services.—For the Congressional Printing and Binding Appropriation, which covers printing and related services for Congress, we are requesting \$88.8 million. This is a reduction of \$1.8 million, or 2 percent, from the level approved by Congress for fiscal year 2004.

For the Salaries and Expenses Appropriation of the Superintendent of Documents, we are requesting \$33 million. This is a reduction of \$1.2 million, or about 3.6 percent, from the fiscal year 2004 approved level. This appropriation provides for the cataloging and indexing of Government publications, and the distribution of Govern-

ment publications to Federal Depository and International Exchange libraries and other recipients authorized by law.

The reductions in these two appropriations have been made possible by reduced printing workloads, our continued application of cost-saving digital information technologies, and increased efficiency in operations, including savings from the buyout conducted in 2003.

Investment in the GPO's Future.—The most strategic of our fiscal year 2005 requests is a proposal for \$25 million to be appropriated to our revolving fund, to remain available until expended, which will be used in carrying out a multi-year plan to transform the information technology used at the GPO in meeting Federal agency customer requirements for printed and digital documents as well as the public's increasing demand for authenticated, official Government information to be available from the Internet.

Our vision is to move the GPO forward from a predominantly ink-on-paper distributor of printing requirements to a life-cycle manager of digital Government information, electronically collecting, organizing, processing, and protecting the flow of public documents from their origination in Congress and Federal agencies through their dissemination, in perpetuity, to depository libraries and the public. To make this transformation effective, our technology plan has identified a series of initiatives that will sustain and improve the GPO's current information technology (IT) baseline; consolidate data center capabilities; modernize the GPO's IT infrastructure; reengineer the GPO's business processes to synchronize with IT capabilities; provide effective enterprise resource management; and ensure continuing IT security. This vision embraces the GPO's historic role of serving as the gateway to the Government's public documents while utilizing technologies that meet the demands of the 21st century. It will necessarily be modified by our strategic plan, the development of which will depend on the conclusions reached by the GAO's study.

The funding we are requesting today will be used to generate efficiency and reduce costs tomorrow. Already, Congress is seeing the results of investment in the GPO, as last year's appropriation to fund our buyout is already generating savings that are showing up in our reduced requests for the Congressional Printing and Binding and Salaries and Expenses Appropriations for fiscal year 2005. As with all of our initiatives undertaken since my taking office as Public Printer, this transformation will be conducted under the oversight and guidance of the Joint Committee on Printing, the Appropriations Committees, and our legislative oversight committees in the House of Representatives and the Senate, and in consultations with our customers throughout Congress, Federal agencies, and the library and information communities.

Office of the Inspector General.—Rather than continue to finance the GPO's IG through our revolving fund, we are requesting that this function be funded annually by direct appropriations, as IG operations are throughout much of the Government. For fiscal year 2005, we are requesting \$4.2 million and 25 full-time equivalent (FTE's) positions for this purpose.

Financing the IG through the revolving fund requires that the fees for various services be increased to reimburse this cost. A direct appropriation will alleviate that cost burden on Congress and agency customers and make our services more competitively priced. It will also provide greater independence for the IG and his staff to monitor the GPO's operations.

Legislative Changes.—In addition to our funding request, we are requesting several authorities to support our transformational efforts and further our mission:

- Extension of our early retirement and separation incentive authority, which expires at the end of fiscal year 2004. Utilized in 2003 and again this year, this authority has been extremely useful in achieving orderly reductions in staffing that are providing significant savings to GPO operations.
- Authorization to use up to \$500,000 to contract for expert services to assist us in our effort to relocate the GPO and to finance this project through redevelopment of our existing structures.
- Authority to accept contributions of property, equipment, and services to support and enhance the work of the GPO. We have improved the language we submitted last year by adding additional reporting requirements to ensure full accountability.
- Elimination of the current, long-outdated limit of 25 percent on discounts for our sales publications. This would enable us to match current sales discount practices in the private sector and improve our documents sales practices.
- Elimination of the current 5-year retention period for Government documents in selective depository libraries. This requirement, which would be replaced with regulations issued by the Superintendent of Documents in consultation

with the library community, is imposing excessive costs for documents management on libraries and undermining the efficiency of program participation.

—Authorization to use up to \$10,000 in our Revolving Fund to support the activities of the Benjamin Franklin Tercentenary Commission, established by Public Law 107–202. The Commission is working on ways for the Federal Government to appropriately observe the tercentenary of Benjamin Franklin's birth in 2006. The GPO's support for this important work could involve printing, mailing, travel, or associated expenses. We are deeply committed to cooperating with the Commission and its private sector counterpart, the Benjamin Franklin Tercentenary Consortium.

—An increase in our representation allowance to \$15,000 to support activities promoting the GPO.

Mr. Chairman and Members of the Subcommittee, thank you for all the support you have shown for our efforts to bring transformation to the GPO, reduce the costs of its operations, and improve the provision of our services to Congress, Federal agencies, and the public. This past year has been one of unparalleled accomplishment at the GPO, and with your support we can continue that record of achievement. I look forward to working with you and the Appropriations Committees in your review and consideration of our request. This concludes my prepared statement, and I would be pleased to answer any questions you may have.

BUSINESS-LIKE OPERATIONS

Senator CAMPBELL. You stated that you would like to run the GPO like a business, which around here sometimes is a buzzword. That is what almost candidate for office says about the Federal Government. You run it like a business and with most businesses, if they are not making a profit, you have got to shut it down because it is the profit margin that keeps it going.

What are you going to do to make it more businesslike? Explain what that buzzword means.

Mr. JAMES. Well, Senator, I think we have taken a number of steps. I think we are seeing results from those steps. We have streamlined the organization to eliminate multiple levels of reporting. We have begun to build metrics to be able to predict and measure what it is that we are supposed to be doing. We are streamlining the ways that we go about dealing with Government agencies. I think we have taken a number of steps. I think those steps are paying off.

Senator CAMPBELL. You closed the bookstores, the outlets.

Mr. JAMES. We did.

Senator CAMPBELL. Has that saved a considerable amount?

Mr. JAMES. It will save millions over the years, Senator, about \$1.5 million per year.

Senator CAMPBELL. And if people want a document that they normally would get in that bookstore, how do they get it now?

Mr. JAMES. Well, they get it online. They can certainly come online and look at our bookstore online, or they can call our 800 number and receive help from a real, live human being who will find that document and Federal Express it to them.

INVESTMENT REQUEST

Senator CAMPBELL. Good.

Your budget includes \$25 million for transformation efforts, and you mentioned that your final strategic plan will not be done until next fiscal year. Is that correct?

Mr. JAMES. Well, we certainly hope, Mr. Chairman, that we will complete that plan this summer. We are on track to complete it and to begin to make the investments we need beginning in the

next fiscal year. I am a little reluctant. I know your staff has pushed us hard to give solid specifics.

Senator CAMPBELL. Yes. There is some concern about appropriating the money before the plan is complete.

Mr. JAMES. I think by the time that you would move forward with this, I think we will be able to give you more facts. I am just a little concerned about putting the cart in front of the horse in talking about how we are going to spend the money before we get the agreement on the plan not only from Congress but from the various stakeholders that we have.

Senator CAMPBELL. Do you still think you might get the strategic plan done by the summer, though?

Mr. JAMES. We will have it done.

Senator CAMPBELL. Your budget includes 16 new staff for the depository library program. Are those needed at this time?

Mr. JAMES. You bet. The depository library program is changing and it is changing because of the nature of the way the Government is creating information. For many years we sent to depositories hard copies, first in paper, then in microfiche, and we began to send CD-ROM's 15 years ago. It is now not only a combination of those products but last month, 66 percent of all the documents we sent to our depository libraries were only digital. And they need a considerable amount of help in learning how to use digital tools to mine that data for their clients.

Senator CAMPBELL. Let me ask you the same thing I asked the former panel, and that is, if we have a flat budget and cannot increase the amount of money that you are asking for, what is going to get cut or hurt?

Mr. JAMES. Well, I think we will not come back to you in tears. We will manage the business. It may cause us to change the timing on some of the investments we are making in the future, but we will continue forward.

ADDITIONAL COMMITTEE QUESTIONS

Senator CAMPBELL. I have a couple other questions too and I will submit those in writing, if you would get to those.

Mr. JAMES. Thank you.

Senator CAMPBELL. Thank you for appearing. I appreciate it.

Mr. JAMES. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing, but were submitted to the Office for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR BEN NIGHTHORSE CAMPBELL

Question. What would be the benefits of continuing to invest in the GPO, as we did last year with an appropriation of \$10 million to your revolving fund?

Answer. We are asking Congress to invest in the GPO only where we can show that savings will result. Using the \$10 million appropriation to our revolving fund for fiscal year 2004, we conducted a retirement incentive program that resulted in annual savings of \$21.7 million. Our request for \$25 million for the revolving fund for fiscal year 2005 will be used to carry out a multi-year plan to transform the information technology used at the GPO in meeting Federal agency customer requirements for printed and digital documents as well as the public's increasing demand for authenticated, official Government information to be available over the Internet. This plan, to be carried out in concert with the pending results of the General Accounting Office's study of the GPO, as requested by this Committee, will generate new efficiencies and significantly reduce the future costs of our operations to Congress, Federal agencies, and the public.

Question. Can you tell the subcommittee about your plans for relocating the GPO? Have you determined GPO's specific new space requirements?

Answer. The GPO's current facilities are outdated, inefficient, and too large to support our changing operations, particularly as we transform those operations to meet the demands of the 21st century. Our central office complex here in Washington, DC, is composed of 4 aging multi-story buildings totaling 1.5 million square feet of space, completed between 1903 and 1940. The buildings have numerous inefficiencies that have been well-documented. At one time housing over 8,000 employees, they now are too big for our current workforce of less than 2,500. Multiple stories make it difficult and costly to handle materials. Deteriorating utilities and elevators require constant upgrading. Floor loading limitations in the older buildings have long restricted their use.

The nature and age of the buildings is imposing growing costs just to maintain the structures in serviceable condition. These costs must be recovered through the rates charged to the GPO's customers. Currently, 12 percent of our costs, about \$35 million annually, are for building-related expenses (including utilities, maintenance and repair, security). The GPO will need to spend between \$275 million and \$530 million over the next 5–10 years to maintain, repair, and secure our current facilities. If there is no change in our situation, these costs will have to be recovered from Congress, Federal agencies, and the public through our printing rates and sales prices.

Our objective is to secure a modern, inline production facility that is appropriately sized and equipped to meet the GPO's current and future needs, which are still in the process of being determined through our planning process. Optimally, this facility would be located conveniently in the District of Columbia to enable us to serve Congress, Federal agencies, and the public efficiently. We envision entering into an agreement with a private sector concern to redevelop our current buildings and use the revenue generated from the redevelopment to acquire, construct, and equip a new GPO facility. The redevelopment agreement would also be configured to provide a revenue stream that would be used to underwrite GPO's operations into the future. This financing approach should obviate the need for congressional appropriations to accomplish the relocation project, remove the burden of building-related expenses on GPO's rate and price structures, and ensure the continuation of the GPO's information production and dissemination services well into the 21st century.

Question. How many people took the buyout with the funding we provided you last year? What is the annual savings from this reduction? Did this reduction affect your request for appropriations for 2005? How is your current buyout effort proceeding?

Answer. A total of 319 employees took the buyout we conducted last year, resulting in annual savings of \$21.7 million. These savings—more accurately characterized as a reduction to our costs—have been a primary factor in eliminating the loss pattern that the GPO sustained over the past several years. We are currently conducting another buyout with the target of reducing our current employment level by 250 by July 1, 2004. This buyout, which has been approved by the Joint Committee on Printing, will be financed through the GPO's revolving fund. It will generate annual savings of \$16.5 million beginning in fiscal year 2005. It is proceeding well and we expect to meet the targeted goal of reducing employment by 250 positions.

Question. You've requested authority to accept contributions of property, equipment, and services to support and enhance the work of the GPO. How do you see this authority working? How would GPO avoid a conflict of interest in accepting gifts?

Answer. Last year we requested authority to accept contributions of property and services on behalf of the GPO and to make donations of surplus property and equipment to specified Federal, state, local, and charitable entities. The authority to accept contributions of voluntary services, such as those provided by interns, and to make donations was approved in the fiscal year 2004 Legislative Branch Appropriations Act. For fiscal year 2005 we are renewing our request to accept contributions of equipment and property, which was approved by this Committee last year.

Currently, GPO is not authorized by law to accept contributions of equipment and property. This authority would allow us to accept the placement of prototype equipment for beta-testing and systems trials without requiring a Government investment, providing us with the flexibility we need to evaluate new and emerging technologies onsite in this period of rapid technological change. It would also permit us to work with the private and non-profit sector on the development of programs designed to increase the public visibility of GPO's operations, such as the creation of a printing museum similar to the U.S. Postal Service Museum located nearby.

The authority we are requesting is similar to donation acceptance authorities possessed by many Federal agencies, such as the Library of Congress, the U.S. Court of Veterans Appeals, the Department of Housing and Urban Development, the Consumer Product Safety Commission, the Department of Commerce, the Administrative Office of United States Courts, and the Department of Labor. Acceptance of contributions of equipment and property would be solely on behalf of the GPO and subject to the usual limitations covering donations to the Government. To assure accountability, our request this year includes additional language that would require reporting on all contributions to the Appropriations Committees and the Joint Committee on Printing.

Question. What are the benefits from providing a direct appropriation for your Inspector General?

Answer. The GPO's Office of the Inspector General, established under the provisions of 44 U.S.C. 3901 et. seq., is currently funded through the GPO's revolving fund. The costs of this office are distributed as overhead to the various revenue-generating operations of in-plant printing, printing procurement, and documents distribution. The rates for the GPO's products and services must be adjusted to recover our overhead costs, including those of the IG. Along with other actions we are taking to reduce costs and improve efficiency, we are asking Congress to provide direct appropriated funding to cover this mandatory expense to help reduce cost pressures on our rates and prices.

Equally as important, we believe it is necessary to have direct funding to the GPO's IG to ensure a level of independence for this operation that is appropriate to its mission. The IG is responsible for conducting audits and investigations relating to the GPO, yet is dependent on the Public Printer to provide approval for the necessary staffing, funding, equipment, and training necessary to carry out this mission. By law the Public Printer has "no authority to prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation." However, providing the IG with the capability to execute its mission independent of the GPO's management would put this office on a par with how most Federal IG operations are funded today.

Question. What efforts have you undertaken to identify and make use of new and emerging information technologies?

Answer. The GPO has implemented a variety of strategies over the past year to identify, evaluate, and incorporate new and emerging information technologies into our operations. An Office of Innovation and New Technology (INT) was established to identify new technologies and practices that will help us move forward. Reporting directly to the Public Printer, INT also helps create associations with other public and private sector entities to carry out the GPO's mission. During 2003, we announced a partnership with the National Archives and Records Administration in support of permanent online public access.

Along with INT, we have expanded our participation in technology and trade forums and shows to gain greater exposure to new developments. Through management reorganization and associated strategic and contingency planning functions, we are also carrying out broader outreach to the technology community. We have begun modernizing the GPO's product lines with new planned offerings such as Public Key Infrastructure technology. We are participating in the ongoing General Accounting Office long-range study of Federal printing and information policy, and expect to be able to use the study's results to help guide technology evaluation and acquisitions programs at the GPO. We have also revised our capital acquisitions policy to establish a more rigorous standard for return-on-investment to ensure we gain the maximum value from taxpayers' technology dollar.

Question. Tell us what you see as the future of the depository library program. Why are additional staff needed in fiscal year 2004? What will be the impact if we are unable to provide these additional staff?

Answer. The ongoing transition to a more electronic Federal Depository Library Program (FDLP) will continue into fiscal year 2005 and beyond. Approximately 63 percent of the new titles entering the FDLP in fiscal year 2003 were electronic and this percentage will continue to grow. Currently, there are more than 262,000 titles in the FDLP electronic collection and it is expected to increase substantially over time.

New challenges associated with discovering, acquiring, cataloging, and preserving digital documents for the FDLP electronic collection, working through these changes with our depository library partners, and carrying out our cataloging and indexing responsibilities will require an increase of sixteen FTEs for the Salaries and Expenses (S&E) Appropriation in fiscal year 2005. The increase will support the following activities:

- Fourteen of the additional FTEs would be dedicated to preservation activities associated with maintaining and providing permanent public access to materials in the FDLDP legacy and electronic collections and a proactive program that emphasizes consultation and education and promotes best practices for our depository partners during this transition.
- Two FTEs would be added to our cataloging and indexing efforts to ensure that the full range of in-scope electronic information being published by our Government is brought under bibliographic control and made publicly available.

While every effort to reallocate resources from traditional pursuits has and will provide some of the required personnel, not increasing the FTE level would mean that we would not be completely able to carry out our program responsibilities in fiscal year 2005.

Question. You completed a management reorganization last year. How has that helped your transformation efforts at the GPO? Do you anticipate additional realignments?

Answer. Last year we implemented an organizational model that is relatively new to the Federal Government but widely used in industry, wherein the chief executive officer (Public Printer) focuses on organizational policy and long-range planning and the second in command (Deputy Public Printer) serves as chief operating officer focusing on the day-to-day operations of the business. This has streamlined decision-making and is designed to keep the overall GPO organization focused on movement forward while ensuring that the day-to-day tasks of the agency are fulfilled. The reorganization of the top-level management structure has been followed by organizational restructurings at lower levels. There will be further organizational change in the future as the result of the development and implementation of the GPO's strategic plan.

Question. Last year you reached an agreement with OMB on executive printing. Can you tell us how that agreement is working? Where do you expect this to go in fiscal year 2004 and fiscal year 2005?

Answer. The OMB/GPO Compact on printing (June 6, 2003) successfully resolved the longstanding controversy over executive printing by proposing a new system that will enable Federal agencies to choose their own printers, using technology and support services provided by the GPO. Our hope is that the volume of printing paid through the GPO will increase at lower costs while providing all documents for cataloging and entry into the GPO's Federal Depository Library Program and related dissemination programs. As called for by the Compact, during fiscal year 2004 we are operating a demonstration project at an agency selected by OMB, the Department of Labor. We plan to deploy the system established by the Compact government-wide in early fiscal year 2005.

Question. How important is employee workforce development to your transformation efforts at the GPO? What changes have you implemented in your workforce development program?

Answer. Workforce development is critical to GPO's transformation process. It is the means by which GPO will move our current workforce into our future mission. Last year we doubled our workforce development program and increased our training budget to help us shape the staffing capabilities we will need for the future. We also revised our training policy to support mission-related training, not just job-related training. To guide our workforce development for GPO's future mission, we will conduct a systematic needs assessment across GPO and a corresponding skills assessment of the current workforce.

GPO has made a number of changes in order to ensure the success of the workforce development. A new Director of Workforce Development position was established and a new Director has been selected. The Director works under the leadership of the Chief Human Capital Officer. A Workforce Development Advisory Committee, involving the key leaders in each major area of GPO, has been working on the critical aspects of the needs assessment. A working committee involving management and key labor representatives has also been involved in formulating a process for ensuring that the needs assessment and the skill assessment is reflective of the differences that exist in GPO across organizations and occupations. These efforts have been widely promoted throughout GPO.

Question. What is the status of emergency planning at the GPO?

Answer. Over the past year, the GPO has completely revised its Emergency Action Plan. New procedures for emergency evacuations and "shelter in place" were developed and published in an Interim Plan. Both plans were exercised and based on the results, adjustments to the procedures were made, and the final version of the Plan will be published this month. We also completed a number of physical security improvements such as raising the height of outside air intakes to preclude easy introduction of toxic substances into our heating and ventilation system. We

also upgraded the ventilation control and fire alarm systems in our passport production building. We further reduced the number and operating hours of building access points and implemented more rigorous metal detection and package x-ray policies. This month we are installing an upgraded access system based on smart card technology which will allow us to incorporate digitally signed certificates and biometric identification data into our building and computer access control systems. Finally, we are in the final phase of acquiring an emergency mass notification system, which will enable us to individually notify and instruct all of our employees in a matter a few minutes during an emergency. Collectively, these actions represent a significant upgrade of our ability to protect and secure GPO employees and property.

In the area of continuity of business operations, we this week signed the Memorandum of Understanding with the Congress which will enable the GPO to backup our critical computer databases and applications at the Legislative Alternate Computing Facility (ACF). In preparation for this, we have been consolidating databases and systems at our main North Capitol Street facility into a state-of-the-art data center, which we currently back up on a daily basis. As we implement our new capability at the ACF, we will be able to back up systems continuously and thus will be able to provide virtually uninterrupted support to Congress and our other Government customers in all but the most catastrophic disasters. Last summer, we initiated a comprehensive program to complete enterprise-wide risk assessments and security upgrades for all of our business applications and databases. This effort will be complete by the end of fiscal year 2004 and will further secure the integrity and security of our operations.

CONGRESSIONAL BUDGET OFFICE

STATEMENT OF DOUGLAS HOLTZ-EAKIN, DIRECTOR

ACCOMPANIED BY ELIZABETH ROBINSON, DEPUTY DIRECTOR

Senator CAMPBELL. Now we will hear from our third panel from CBO, Douglas Holtz-Eakin, the Director, accompanied by Elizabeth Robinson, the Deputy Director. Mr. Holtz-Eakin, if you would like to proceed, your complete testimony will be in the record. I see you have got abbreviated notes right there in front of you.

Mr. HOLTZ-EAKIN. I have very little to say.

Senator CAMPBELL. They look like the kind of notes I use too.

Mr. HOLTZ-EAKIN. I thank you for the chance for us to be here this morning to talk about CBO's budget request for 2005. I want to take the opportunity to introduce Beth Robinson, who has done a sterling job in under a year as the Deputy Director of CBO. And I want to thank the committee for its support with our—

Senator CAMPBELL. May I interrupt you? What was your background before you got to the position, Ms. Robinson?

Ms. ROBINSON. It was an eclectic one. I have training as a geophysicist actually.

Senator CAMPBELL. A geophysicist.

Ms. ROBINSON. Yes, and I spent some time on the Hill at the Office of Technology Assessment.

Senator CAMPBELL. Does the geophysicist background help you with CBO?

Ms. ROBINSON. Well, sometimes I wonder, but basically a lot of skills that you learn to handle large data sets, to get the computers to give you the answer you want, we use a lot at CBO.

Senator CAMPBELL. I have got an eclectic background too, and I am not sure it helps me being a Senator.

Mr. HOLTZ-EAKIN. She is being very modest. One of the reasons I was attracted to her is, in fact, that she has a background in science; and the range of issues that rolls through the CBO is quite broad. She brings skills that we did not previously have.

Senator CAMPBELL. Welcome aboard. Please proceed.

OVERVIEW OF CBO'S REQUEST

Mr. HOLTZ-EAKIN. Briefly, this year we have a request that would be an increase of \$1.6 million for pay and benefits for the existing FTEs at CBO and an additional roughly \$200,000 that would cover a variety of needs—including our alternative computing facility communications, which are part of the disaster recovery system at CBO, and some higher costs for the Federal Accounting Standards Advisory Board, and other things are detailed in the written request.

The total would be a budget of \$35.5 million, an increase of \$1.8 million, or 5.5 percent. We view this as essentially a current-serv-

ices request, which will allow us to maintain our level of productivity, which we hope is well documented in our submission, in supporting the Congress in its need for budgetary and economic advice.

We have made great progress, I think, in being responsive, cutting the time required to produce reports and being timely in their delivery for the deliberations of Congress. I would be happy to expand on that if necessary.

As you mentioned in your opening remarks, we recognize that Congress may desire an even more limited request, and we respect Congress' desire to limit the growth of spending in the Federal budget and will work with this committee as necessary to meet any target that you might provide.

I will point out that we have modest opportunities in the non-pay part of CBO's budget, which is only 12 percent of the budget. Many of those would be one-time reductions, which we will entertain as possible. But to the extent that there was an ongoing need for budgetary stringency, it would be concentrated in our personnel, which constitute 88 percent of the CBO budget. Moving to a freeze, for example, given the current pay and benefits requirements, would create the need to reduce by about 12 full-time equivalents at CBO.

Senator CAMPBELL. Twelve employees, twelve FTEs?

Mr. HOLTZ-EAKIN. With more flexibility on the scale of the pay increase, that, of course, could be different, and we could ameliorate that to some extent through the non-pay part of the budget.

PREPARED STATEMENT

But certainly we would work with you. We look forward to additional guidance on the kind of request that is appropriate and would be happy to answer your questions.

[The statement follows:]

PREPARED STATEMENT OF DOUGLAS HOLTZ-EAKIN

Mr. Chairman and Members of the Subcommittee, I am pleased to present the fiscal year 2005 budget request for the Congressional Budget Office (CBO). The mission of CBO is to provide the Congress with timely objective, nonpartisan analyses of the economy and the budget and to furnish the information and cost estimates required for the Congressional budget process.

The Congressional Budget Office's proposed budget for fiscal year 2005 is effectively a "current-services" request, in which the increases from 2004 are primarily for pay, benefits, and general inflation. The request totals \$35,455,000, a \$1.8 million, or 5.5 percent, increase over the appropriation for fiscal year 2004 (after the rescission of 0.59 percent).

The total increase requested is dominated by \$1.6 million for expected increases in staff salaries and benefits. Funding for salaries and benefits constitutes 88 percent of CBO's budget, and those costs will grow by 5.5 percent in 2005. Additional factors include a new \$75,000 charge for telecommunications services associated with the Alternate Computing Facility, a component of the legislative branch's disaster recovery system, and a \$32,000, or 8.1 percent, increase in CBO's portion of the cost of operating the Federal Accounting Standards Advisory Board (FASAB). The remainder of CBO's budget request increases by 3.2 percent over that in 2004, a rate of growth affected by the fact that this portion of the budget will absorb almost half of the 0.59 percent rescission in 2004.

With the requested funds for 2005, CBO plans to continue to support the Congress in exercising its responsibilities for the budget of the United States government. CBO participates in the Congressional budget process by providing analyses required by law or requested by the House and Senate Budget Committees; the

Committees on Appropriations, Ways and Means, and Finance; other committees; and individual Members. In particular, CBO:

- Reports on the outlook for the budget and the economy to help the Congress prepare for the legislative year;
- Analyzes the likely effects of the President's budgetary proposals on outlays and revenues;
- Estimates the costs of legislative proposals, including formal cost estimates for all bills reported by committees of the House and Senate and for unfunded mandates on states and localities and the private sector;
- Constructs statistical, behavioral, and computational models to project short- and long-term costs and revenues of government programs; and
- Conducts policy studies of governmental activities having major economic and budgetary impacts.

In fiscal year 2005, CBO's request will allow the agency to build on current efforts:

- Increase the number and reduce the preparation time of reports and in-depth analyses for the Congress, extending progress begun in 2003. The request will support a workload estimated at 2,120 legislative and mandate cost estimates, 82 major analytical reports (11 percent more than in 2003, which itself represented a 76 percent increase over 2002), 74 other publications, and a heavy schedule of Congressional testimony.
- Consolidate gains from additional staff resources provided by the Congress for 2004 to augment the agency's ability to estimate revenues and conduct dynamic analyses of the budget. Overall, the request will support 235 full-time-equivalent positions, the same number as in 2004. It includes an across-the-board pay adjustment of 3.5 percent for staff earning a salary of \$100,000 or less, which is consistent with the pay adjustment requested by other legislative branch agencies, along with a projected increase in benefits of 7.0 percent.
- Fund a combination of promotions and merit increases for all staff, including those whose salary exceeds \$100,000 and who do not receive automatic annual across-the-board increases.
- Provide \$429,000 for CBO's share of FASAB's budget.
- Provide \$75,000 (previously paid by the House of Representatives) for telecommunications services for the Alternate Computing Facility.
- Complete the replacement of CBO's Budget Analysis Data System, the agency's primary budget-tracking system, with a lower-cost, more-capable in-house system. After accomplishing that replacement midyear in 2005, CBO plans to continue to develop and exploit the capabilities of the new system—to improve the speed and breadth of the agency's analyses—during the remainder of the year and into the next, but at a much lower annual development cost.

Before I close, I would like to thank the Committee for its support of CBO's 2004 budget request, in particular, the two new positions that it approved to strengthen the agency's ability to forecast the economy and project revenues. And I would also cite the Committee's ongoing support of the student loan repayment benefit, which is an increasingly valuable tool in CBO's recruiting.

I look forward to answering any questions that you might have about this request.

STAFFING IN DIFFICULT AREAS

Senator CAMPBELL. Thanks.

In fiscal year 2004, the committee agreed to provide two additional staff for CBO. Are those staffers both on board?

Mr. HOLTZ-EAKIN. Those were identified to address needs for enhanced precision in our baseline receipts forecasts, and also to meet the desire for Congress to have some more dynamic analysis of macro-economic effects and also some budgetary proposals. We have not only enhanced the FTEs and are hiring for those, but we have also done some internal reallocations to make sure that there are people available in some of the tough cross-cutting areas, in particular finance. A lot of the difficulties in forecasting baseline revenues in the past several years have involved large run-ups in the stock market and then declines and associated bonuses and options. Finance people are difficult to hire, hard to retain. If Senator

Durbin were here, I would point out that that has been one of our targets for student loan repayment. It has been successful.

Senator CAMPBELL. They make more in New York.

Mr. HOLTZ-EAKIN. We have had some success on that front, and we have got more firepower in those areas.

PROGRAM CHANGES

Senator CAMPBELL. You have \$227,000 in what is described as program changes. What are those program changes and what is the money for, necessary at this time?

Ms. ROBINSON. The largest component of that is twofold. One is a new \$75,000 charge for disaster recovery for the physical data connections between CBO and alternate computing facility.

The second one is an investment in our defense-modeling capability, of the defense budget itself. We had been contracting in the past for some data sets and other things, and we find, actually, that these contractors are retiring. It is a very specific \$75,000 expense to bring that capability in-house.

Senator CAMPBELL. Thank you.

INCREASED PRODUCTIVITY

Your budget also discusses your effort to increase staff productivity. What are you doing to accomplish that goal?

Mr. HOLTZ-EAKIN. Well, there are two major problems. The first is management: setting clear objectives for deadlines for studies, keeping track of progress for those deadlines, and making sure in our merit review system that productivity is a component of the merit review. So internal management issues are one aspect, but there are also some changes in the nature of the process, the most notable being moving toward a more modern platform for publication, moving from word processors to a real desktop publishing system.

RETENTION OF EMPLOYEES

Senator CAMPBELL. How does the CBO compare with other Federal agencies on the retention of employees?

Mr. HOLTZ-EAKIN. I do not have the precise statistics, but I think we have been very successful.

Senator CAMPBELL. Could you provide that for the committee?

Mr. HOLTZ-EAKIN. Yes.

[The information follows:]

Employee retention is defined by the amount of turnover and agency experiences. The chart below describes the Congressional Budget Office's (CBO's) turnover among management and professional staff over the last two fiscal years. (Clerical staff are not included because CBO's workforce is less than 10 percent clerical, and the agency experiences very little turnover among clerical staff.)

Comparing the Congressional Budget Office's turnover with other agencies' is challenging because agencies maintain their data in disparate ways. The chart shows the information that we have been able to gather.

| | Fiscal Year 2002 | | | Fiscal Year 2003 | | |
|-----------------------------------|------------------|-------------|--------------------|------------------|-------------|--------------------|
| | Staff on Board | Separations | Turnover (percent) | Staff on Board | Separations | Turnover (percent) |
| Congressional Budget Office | 190 | 18 | 9.47 | 193 | 28 | 14.51 |
| General Accounting Office | n/a | n/a | 8.80 | n/a | n/a | 7.70 |

| | Fiscal Year 2002 | | | Fiscal Year 2003 | | |
|--|------------------|-------------|--------------------|------------------|-------------|--------------------|
| | Staff on Board | Separations | Turnover (percent) | Staff on Board | Separations | Turnover (percent) |
| Congressional Research Service | 554 | 31 | 5.60 | 609 | 22 | 3.61 |
| Library of Congress ¹ | 2,622 | 146 | 5.57 | 2,725 | 123 | 4.51 |
| Executive Branch Agencies ² | 1,232,496 | 71,866 | 5.83 | 1,244,493 | 86,285 | 6.93 |

¹ Includes Congressional Research Service as part of the Library of Congress.

² Does not include the Federal Bureau of Investigation, the Postal Service, or intelligence agencies (such as the Central Intelligence Agency and the National Security Agency). Source: www.fedscope.opm.gov.

Notes:

Data are for permanent employees in management and professional positions.

n/a = not available; GAO does not track staff by the category of management and professional and therefore could not provide this breakdown.

SUBCOMMITTEE RECESS

Senator CAMPBELL. Well, I have no further questions. Senator Durbin might and/or Senator Stevens, and if they do, they will submit those in writing to you. If you could get those back to us. Okay?

Mr. HOLTZ-EAKIN. Thank you very much.

Senator CAMPBELL. I thank you and with that, the subcommittee is recessed.

[Whereupon, at 11:43 a.m., Thursday, March 4, the subcommittee was recessed, to reconvene subject to the call of the Chair.]